

FINANCIAL TIMES

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Athens braces for a meeting of Allies, Page 2

Australia	£222	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Dh450	Israel	₪5.50	S. Africa	R107.00
Belgium	BF48	Italy	L1170	Singapore	S\$4.10
Canada	C\$1.00	Japan	¥160	Spain	Ptas165
Denmark	Dk2.00	Jordan	Jds1.00	Switzerland	Sfr1.20
France	FF4.50	Kuwait	Kwd1.00	Sweden	Skr9.00
Germany	DM2.30	Labuan	Mal1.25	Switzerland	Sfr1.20
Greece	Dr220	Malaysia	RM1.00	Thailand	Bt50
Hong Kong	Hk\$1.00	Norway	Nkr1.00	USA	\$1.00
India	Rs15	Norway	Nkr1.00	USA	\$1.00

World News

UK pledges action to ease African debt burden

A plan of action to ease the debt burden of sub-Saharan Africa would be a key British objective at this month's world economic summit in Toronto, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said. He said it was essential to reduce the burden itself as well as give countries more time to repay.

Five-year plans to boost its overseas aid at the summit. Page 26

Prethoria call-up
South Africa called up its army reserve and signalled it could resist any threats from Cuban forces in Angola said to be spread along a 450km front, as little as 12km from the Namibian (South West African) border. Angola said its forces were instructed not to cross the border. Page 6

US-EC trade row
EC suggestions that US restrictions on imported sugar, dairy and other farm products might contravene international trade rules raised the diplomatic temperature in US-EC trade relations. Page 26

Soviets accuse Pakistan
Moscow accused Pakistan of violating the Afghanistan peace agreement by permitting shipments of arms to Afghan rebels and letting US and French instructors cross its border to train guerrillas in missile use. Page 6

London-Iran talks fail
Britain and Iran failed to reach agreement in talks intended to ease diplomatic relations but Iran sought a further meeting to discuss compensation for damage to the two countries' embassies. Page 6

Managua deal close
The last day of negotiations between the Nicaraguan Government and the Contras began with an agreement close. Page 6

Zia announces cabinet
Pakistan's President Gen Zia ul-Haq announced an 18-member cabinet, with himself in the Prime Minister's role. Page 6

Japan trade surplus cut
Japan's trade surplus in May dropped sharply to \$5.02bn on a seasonally-adjusted basis, according to figures yesterday. Page 6

Seoul students revolt
Thousands of South Korean students broke out of Yonsei university, Seoul, after a day-long siege, attacking police with rocks and petrol bombs, trying to break the cordon. Page 6

Soviet-Israeli meeting
Israeli Prime Minister Yitzhak Shamir met Soviet Foreign Minister Eduard Shevardnadze at the UN, despite the 21-year break in relations, to discuss the issue of an international peace conference for the Middle East. Page 2

Tatars can return
Restrictions preventing tens of thousands of Crimean Tatars from returning to their homeland in the Crimea from which they were deported by Joseph Stalin 44 years ago, were lifted. Page 3

Railians criticised
Nikolai Afanasievsky, a senior Soviet official in Rome said the Italian decision to play host to 79 US P-16 fighter bombers "illogical and contradictory." Page 2

E Berlin attache defects
West German security sources said an East German diplomat, Klaus Grunewald, based in Düsseldorf had defected to West Germany with his wife and son. Page 2

Waste dumping arrest
Norway's consul-general was arrested in Guinea-Conakry for alleged complicity in the secret dumping of 15,000 tonnes of American toxic waste. Page 2

Business Summary

BT reports rise in profits to £2.2bn

BRITISH TELECOM reported an increase in pre-tax profits by 11 per cent to £2.2bn (£3.9bn) in the year to end-March, reflecting higher call volume. Page 32; Lex, Page 26

SEAGRAM, Canadian wine and spirits company, reported a sharp 40 per cent increase in first-quarter income. Page 27

ALUMINIUM: Prices closed well up on the LME after touching record highs in earlier trading.

Aluminium
Cash metal \$ per tonne
4000
3500
3000
2500
2000
1500
Jan 1988 Jun

Cash 99.7 per cent metal closed at \$3,925 a tonne, compared with the recent peak of \$3,960 recorded last Friday. Page 33

LONDON: Speculative activity in the food sector added zest to a slow market, boosting the FT-SE 100 index by 13.3 to 1,841.5. Rumours that Nestlé and Scharold had struck a deal over bid target Rowntree, UK confectioner, fuelled gains, despite declines from both Swiss companies. Page 46

TOKYO: Buying enthusiasm pushed the Nikkei average overnight rally, and the Nikkei average ended above 28,000 for the first time. It rallied 159.37 points to close at 28,072.02. Page 50

WALL STREET: At 2pm the Dow Jones was down 6.58 at 2058.57. Page 50

DOLLAR closed in London at DM1.7155 (DM1.7185); ¥123.73 (¥123.53); SFr1.6380 (SFr1.6380); and FF15.8060 (FF15.8000). Page 39

STERLING closed in London at \$1.5150 (\$1.5180); DM3.1300 (DM3.1250); ¥227.15 (¥227.73); SFr2.6075 (SFr2.5875); and FF10.5375 (FF10.5450). Page 39

PERNOD RICARD, French drinks group, won the first round in its legal battle against Coca-Cola, which recently broke off production and distribution agreements with Pernod dating back to 1948. Page 29

LYVH, French champagne, cognac, luggage, and perfume group, is negotiating the acquisition of a large stake in the Burgundy-based Leroy wine merchants and growers. Page 29

CARREFOUR, large French hypermarket group, and Castorama, France's leading chain of do-it-yourself stores, are to become partners. Page 28

DOMS PETROLEUM: Calgary-based energy group's shareholders have approved the C\$5.5bn (US\$4.5bn) sale of the beleaguered group to Amoco Canada. Page 27

GULF & WESTERN, high-flying New York conglomerate, expects earnings growth of up to 13 per cent and another record year in 1988. Page 27

INVESTCORP, Bahrain investment bank, has failed to take control of the Italian fashion house Guccio Gucci SpA's board of directors, sources close to Gucci said. Page 27

CYRIL WAGNER and Jack Brown, two Texan oilmen who have been attempting to take over USG, big Chicago-based building products group, dropped their \$1.64bn offer for the company. Page 27

MITSUBI & CO, Japan's leading trading house, boosted worldwide net profits by more than half to reach ¥23.15bn (US\$1.9bn) in the year to March, compared with ¥15.23bn. Page 28

Arab leaders put Palestine issue back centre-stage

BY ANDREW GOWERS IN ALGIERS

ARAB LEADERS were last night expected to call for the replacement of Israeli occupying troops in the West Bank and Gaza Strip by an international force, and to set up a committee of foreign ministers, led by Algeria, to press their demands with members of the United Nations Security Council.

At a special summit called to express support for the six-month-old Arab uprising in the occupied territories they are also understood to have agreed to provide additional financial backing for the Palestinians, to continue existing aid arrangements for Jordan and Syria and to call for the reintegration of Egypt into the Arab fold as soon as possible.

The resolutions appear designed to place the Palestine issue back at the centre of Arab concerns, to step up pressure on the US to take account of the Palestinians' "legitimate national rights" in its Middle East diplomacy, and to build on both the uprising and the recent superpower rapprochement to advance their cause.

However, they make no mention of the Arab-Israeli peace plan advanced this year by Mr George Shultz, US Secretary of State, despite demands by the Palestine Liberation Organisation for outright rejection of his proposals.

Nor, apparently, do they contain any explicit reference to the establishment of an independent Palestinian state as urged by the PLO but vehemently opposed by Israel and the US. Instead, they reaffirm general statements of support for Palestinian self-determination, and for the convening of an international peace conference with full negotiating powers and with the PLO participating on an equal footing with other parties.

A specific resolution on the uprising demands withdrawal of Israeli troops from the occupied territories and their replacement by an international force, guaranteeing the implementation of the Fourth Geneva Convention on Continued on Page 26

Arab ranks close-up: Page 6

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King Fahd of Saudi Arabia (left) walks with President Hafez Assad of Syria to the conference room yesterday as Arab leaders began their third day of meetings

Little prospect of early action on EC takeovers

BY GUY DE JONQUIERES IN LONDON

THERE IS little prospect that the European Community will act soon to harmonise national rules on takeovers, Lord Cockfield, a British member of the European Commission responsible for the internal market, said yesterday.

Mr Michel Rocard, the French Prime Minister, has called for common rules in the face of the growth of takeover activity in Europe. He wants the EC to ensure that member countries grant equal access and treatment to bidders from other parts of the community.

In Britain, the battle for the Rowntree confectionery company involving Nestlé and Jacobs Suchard of Switzerland has fuelled demands by some British companies and politicians for greater international reciprocity on the conduct of takeovers.

Lord Cockfield praised Britain's pioneering example in the supervision of financial markets and said the Commission and other EC countries would want to learn from it. He urged the UK to support a co-ordinated EC approach to supervising securities markets, on which international co-operation was still poorly developed.

Completion of the internal market, planned for the end of 1992, would not mark the end of the EC economic integration process. "After the single market comes the single economy," he said, adding that a Commission White Paper (discussion document) on this objective would be needed before long.

The Community must aim to create a single currency as soon as possible after 1992, he said. Freedom of capital movements, strengthening of the European

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Carrington warns West not to relax defensive stance

By David White in Madrid

THE WESTERN allies should not relax their defensive stance despite public impatience for more breakthroughs in East-West détente, Lord Carrington, the outgoing Nato Secretary General, warned yesterday.

Although there was confidence that the East-West dialogue was "established, regular, and getting broader and deeper," the West should not expect early defence cuts or an easing of the financial burden, he said at the opening session of the Nato Council's spring ministerial meeting in Madrid.

"Whatever else may have changed in the Soviet Union, the military machine is still, so far, operating at exactly the same level as it was in the days before perestroika and glasnost."

The Soviet Union's future in the light of current reforms was uncertain, and other East European countries were moving in an even more unpredictable direction. "In these circumstances, it becomes even more important that the Alliance should continue to behave in a predictable and reliable way."

The former British Foreign Secretary, who is about to give up his Nato job after four years, said the recently signed INF treaty, eliminating land based medium-range nuclear missiles, from Europe was achieved by negotiating from a position of strength and by maintaining a firm and united Nato line. It would be just as important to apply this lesson in future.

In assessing Eastern European developments during yesterday's closed-door discussions, foreign ministers and delegates from the 16 Nato countries are understood to have put the period needed for judging the results of perestroika at between 10 and 20 years.

There was clear agreement between ministers on the need to treat Eastern European countries individually and not as a bloc.

Sir Geoffrey Howe, UK Foreign Secretary, warned his colleagues about the risk of political destabilisation sparked by the reform process. According to British officials, he said that one of the challenges for the West was how to encourage change in Eastern Europe without precipitating chaos, and that Nato should not lay itself open to charges of pro-

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OECD says failure to narrow trade gap could trigger recession

BY SIMON HOLBERTON IN PARIS

FAILURE to correct the large trade imbalances of the US, Japan and West Germany could lead to another steep fall in the dollar, which could in turn trigger a recession in the US and Europe, the Organisation for Economic Co-operation and Development warned yesterday.

The Paris-based organisation also suggested that higher interest rates might be needed in the US to dampen inflation.

In its latest Outlook report, the OECD questions whether financial markets would be prepared to finance indefinitely the US current account deficit at current exchange rates. The events of last year, including large-scale official intervention in the currency markets, the rise in US interest rates and the steep fall in share prices in October "suggest that orderly financial flows cannot be taken for granted."

The report says that the economies of its member countries are, on aggregate, set to expand at a healthy rate of growth this year

and at a slightly slower rate in 1989.

The expansion will be uneven, however, with the US and Japan growing strongly while growth in European OECD nations will be sluggish. European unemployment is forecast to rise slightly by the end of 1989.

In many countries within the OECD the focus of attention since last September had switched from concern about recession to concern about inflation, says the report. This was especially so in the US where there would be a need for higher interest rates to contain incipient inflationary pressures, signs of which can be seen in the form of capacity constraints and labour market tightness.

The OECD used data up to May in the compilation of its forecasts. Since then the Federal Reserve, the US central bank, has adopted a less accommodative monetary policy stance and key short-term interest rates have risen.

Mr David Henderson, head of

the OECD's economics and statistics department, said he thought a further tightening of US monetary policy would probably be needed if the US economy continued to grow at a rate above the 2% per cent projected by the OECD for this year.

The Organisation said the UK could also record higher inflation, although recent economic indicators were ambiguous. Nevertheless, the Organisation has doubled its forecast for the UK current account deficit since it last reported in December.

In spite of its more optimistic outlook for growth this year the OECD does not believe that there has been much change in the financial problems facing the world economy, especially those relating to the US budget and current account deficits.

The result of another steep fall in the dollar would be rising interest rates in the US, which would lead to a recession, and a Background, Page 4; US-EC trade tensions increase

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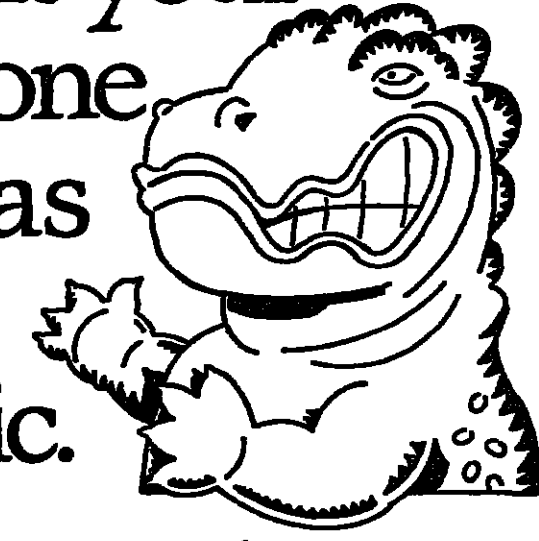
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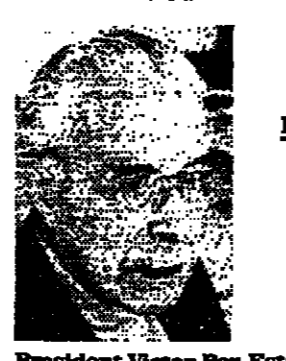
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APPLIED DATA SYSTEMS

LEADING THE WORLD TO DIGITAL WORKING

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BOLIVIA'S DETERMINED WAR ON INFLATION AND DRUGS



President Victor Paz Estenssoro's New Economic Policy rests on unprecedented period of political stability. Page 26

Middle East: Arab ranks closed by revolt in Israel

UK British Steel bends itself into shape for sell-off

Technology: Fishing for computer bargains in a cheap dollar pool

European Lighting: When bigger means brighter

Editorial Comment: Mr Dukakis sets the pace; Tackling Africa's debt crisis

Lombard: Ethics and the businessman

Lex: British Telecom; Beecham; BAA; French takeovers

Spanish banking: Playground warfare in pin-stripes

Kohl hails new era in East-West relations

BY DAVID MARSH IN BONN

MR HELMUT KOHL, the West German Chancellor, yesterday hailed the start of a new era of greater "continuity and predictability" between East and West following last week's superpower summit in Moscow.

He told a news conference that medium-range US nuclear missiles based in West Germany would start to be withdrawn in less than four months time. This was a result of the exchange of ratification documents at the summit on the US-Soviet arms control treaty.

Mr Kohl voiced satisfaction at yesterday's signing of a draft agreement on establishing rela-

tions between the European Community and Comecon. He was especially glad that the breakthrough had occurred during Bonn's six-months period of EC presidency.

However, the Chancellor underlined again the need for stability in conventional weapons in Europe. He called for talks on lowering the "enormous" conventional superiority of the Warsaw Pact to start this year.

West Germany's policy of building up links with East Europe had been a success, he said. His emphasis yesterday, when he held out a renewed offer to the Communist east on further co-operation, was somewhat

ironic in view of the opposition of his Christian Democratic party to the policy of building bridges with the east started by the Social Democratic-led Government at the start of the 1970s.

Mr Kohl said further projects covered by treaty agreements with Warsaw Pact countries were being negotiated. He expected fresh results this year especially in cooperation over environmental protection.

The Chancellor, who goes to Moscow on an official visit in October, said relations with the Soviet Union had "central importance". My visit to Moscow has the goal of driving forward in all

areas as many concrete co-operation projects as possible," he said.

Turning to domestic policy the Chancellor said he aimed to clear up all outstanding questions of economic and social policy currently being discussed by the coalition by the start of the parliamentary holidays on July 8.

A key cabinet meeting is to be held on June 29, at which the Government intends to settle details of next year's budget. This will include the tricky question of raising some consumer taxes - principally on petrol - by at least DM50bn (EL50n) next year to help bring down the federal budget deficit.



Kohl: greater continuity

Lack of response to steel closures plea spells end of quotas

BY WILLIAM DAWKINS IN BRUSSELS

THE END of European Community steel output controls moved a step closer yesterday as the Brussels Commission revealed that governments had largely failed to respond to its plea for voluntary plant closures.

Speaking on the eve of a Commission deadline for offers of capacity cuts, an EC official said member states and steelmakers had failed to produce a single closure commitment for the 10m tonnes of overcapacity in hot rolled coils, the largest component of the EC's 30m tonne surplus in steelmaking potential.

Brussels had received promises to close "very little" of the 5.9m tonnes heavy plate making overcapacity and "a little more" for the 3.7m tonnes surplus capacity in steel beams, he said.

He confirmed that offers for both products were insufficient to justify continuing to extend the protection of quotas. The Commission was offering to consider prolonging quotas for three years from the end of June, when they formally expire, if it obtained guarantees to shut three-quarters of the surplus capacity in each product in the system.

Yesterday's confirmation of steelmakers' lack of response to the Brussels closure call makes it almost inevitable that the quota system, which governs around half of EC steel output, will end.

Eurofer, the club of big integrated steelmakers, has lobbied forcefully to keep the eight-year-old system in place because of the support it provides for prices. They fear a hasty end to quotas will provoke a price and subsidy war.

But that argument has looked increasingly weak over the past nine months as the world steel industry has benefited from a surprise upturn in demand.

Eurofer's members are now understood to accept grudgingly that the system will end and are instead pressing for a transitional period of informal production guidance from Brussels.

European Commissioners are to decide their response to the lack of closure offers at a meeting in Strasbourg next Wednesday, where Mr Karl-Heinz Narjes, the Industry Commissioner, is expected to urge his colleagues to allow quotas to lapse. The final decision on ending quotas and what kind of market regulation - if any - should succeed them is due to be taken by EC Industry Ministers on June 24.

The Italian government has sought to brush off the European Commission's suspicions that it has been subsidising the public steel company, Finisider, in breach of Community competition regulations, John Wyles adds from Rome.

Complaining that the Commission's threat of legal proceedings over bank loans to Finisider was "an argument over the past", Mr Carlo Fracanzani, the Italian Minister for State Participation, calls in a letter to the Commission for a global agreement on the future of the Italian steel industry which would remove the threat of legal action.

In a report from Brussels yesterday, Agi, the Italian news agency, says that Mr Fracanzani accuses the Commission of discriminating against the Italian credit system by arguing that loans to Finisider carried an implicit state guarantee because they were made by publicly owned banks.

The Government is due to adopt finally a steel industry restructuring plan next Tuesday which will be speeded to Brussels in advance of a meeting of Community industry ministers on June 24.

Environmental fears surface in Bulgaria

A WAVE of criticism from Bulgaria's normally quiescent intellectuals, mainly over the environment, has prompted two reactions from the Communist authorities: they have put pressure on their critics to stop complaining publicly, and set up a ministry to address the ecological grievances.

But intellectuals remain sceptical about official policy on the environment, and their doubts on this issue appear to be symptomatic of a deeper sense of uncertainty about the party leadership.

Several other informal groups were set up in Ruse, Veliko Tarnovo, the former capital of Bulgaria (1187-1878) and Gabrovo.

The authorities, shaken by the spontaneous movement which is highly unusual in a country where intellectuals rarely step outside, let alone challenge official party policy, quickly silenced the committees.

With the winds of glasnost blowing freely into Bulgaria through the wide availability of Soviet television and newspapers, the Bulgarian Communist Party, under the helm of 77-year-old Mr Todor Zhivkov, Eastern Europe's longest-serving leader, is showing increasing reluctance to push through substantial political and economic reforms.

Signs of this reluctance emerged in a major policy speech by Mr Zhivkov in April when he said that "a number of problems which the public is concerned about in certain socialist countries have been solved in Bulgaria since 1956".

Mr Zhivkov was referring to the 1956 "April theses" which was aimed at setting the party on a new course of liberalisation which proved rather short-lived.

His speech was interpreted by some Bulgarian intellectuals as very conservative and showing little enthusiasm for any discussion which moved outside official party channels.

The policy towards the intellectuals themselves will be debated at an important central committee plenum.

The plenum, which has already been twice postponed, is now due to take place in early or mid July. It will deal comprehensively with culture, the press and the sciences. It could also include some personnel changes both in the central committee secretariat and the politburo.

Russian priests to resume work in parishes

BY QUENTIN PEEL ON MOSCOW

LEADERS of the Russian Orthodox church, meeting in a high-level council for the first time in 17 years, have approved a new charter which will allow priests once again to play a role in parish affairs.

The decision, taken while the church is in the throes of major celebrations to mark its millennium, effectively removes a self-imposed restriction which prevented priests doing more than conducting church services.

It is the first move by what is an extremely cautious and conservative hierarchy to take advantage of the willingness of the Soviet regime to see a less restricted role for the Orthodox church. The change in the charter was approved by acclamation, although one unidentified comment from the floor of the council said it did not go far enough.

In effect it means that the church is now in a position to take advantage of a promised

new law on freedom of conscience, currently being prepared by the authorities. The law is expected to allow the church more freedom to undertake educational and charitable work, from which it has been effectively barred by legislation passed in 1929.

The four-day Local Council also heard for the first time a major Orthodox church leader, Metropolitan Filaret of Kiev, speak out about the suffering of

the church during the "cult of personality" - the Stalin era - and more daringly still mention the conflict between church and state before Stalin.

The Metropolitan, one of the candidates to succeed the ageing Patriarch Pimen, appeared to be responding to criticism from disident church members that the leadership has been afraid to speak out on such issues, while they are being openly debated by all other sectors of Soviet society.

suspicion of collaborating with German forces during the Second World War - might still have difficulty in gaining residence permits, because the population of the Crimea had trebled from 780,000 to 2.5m during the post-war period.

The population was now overwhelmingly either Ukrainian or Russian, and the area, like other "health resorts", was subject to special procedures on residence permits, it said.

Homeland for Tatars - if there is room

BY QUENTIN PEEL

SPECIAL restrictions preventing tens of thousands of Crimean Tatars from returning to their homeland in the Crimea, from which they were deported by Stalin 44 years ago, have now been lifted, a Government commission announced yesterday.

However, it rejected calls to create an autonomous Crimean republic, and made it clear that economic development and ordinary residence restrictions would still limit the Tatars' return, the

subject of repeated demonstrations in recent months.

A communique issued by the commission, headed by President Andrei Gromyko, said some 2,500 Crimean Tatars had already been granted residence permits and provided with jobs. Action was being taken to improve employment opportunities, with the establishment of new state farms and other organisations.

The commission implied that the exiles - deported by Stalin

in 1944 - were now being resettled in various parts of the Soviet Union. The population of the Crimea had trebled from 780,000 to 2.5m during the post-war period.

The population was now overwhelmingly either Ukrainian or Russian, and the area, like other "health resorts", was subject to special procedures on residence permits, it said.

It criticised Tatar activists for their demonstrations, saying that "individual groups of Crimean Tatars were out to hamper the implementation of positive measures by insisting that the issue of creating a Crimean autonomy be resolved in the first place."

"Taking all these circumstances into account, the commission has reached the conclusion that there are no grounds for establishing a Crimean autonomy."

Judy Dempsey reports from Sofia on an intellectuals' protest movement which has shaken the authorities

ship's commitment to economic and political reform.

The new ministry, which is yet to be formally established, is in response to mounting public discontent with the environment in Ruse, Bulgaria's second largest city, which is located on the Danube in the north of the country.

Over the past two years, the population of Ruse has been subjected, not only to pollution from Bulgarian enterprises, but frequent clouds of chemical dust and fumes blown across the border from the town of Giurgiu in Romania.

The chemical enterprise at Giurgiu, which is under the responsibility of Mrs Elena Ceausescu, the wife of President Nicolae Ceausescu, manufactures several types of chemical and industrial products.

The large emissions of chloride which have been spreading across from Giurgiu have produced growing discontent among the population of Ruse. Earlier this year, hundreds of the city's inhabitants temporarily left after a cloud of chloride fumes wafted over the former Hapsburg trading centre.

In an effort to deal with the problem, and maintain good relations with Romania, the Bulgarian authorities have been holding several meetings with their Romanian counterparts and a special joint commission was recently set up.

However, many prominent Bulgarian intellectuals, dissatisfied

with the official Bulgarian policy towards the environment as well as the slow progress of the bilateral talks, in an unusual step, earlier this year, formed an unofficial committee to highlight their concern about the pollution in Ruse and other related issues.

The 200-strong committee which was set up in Sofia included Mr Svevin Rusev, considered to be the country's greatest artist, and Mrs Sonya Balcih-Todorova, wife of Mr Stanko Todor, the president of the National Assembly (Parliament) and a member of the politburo.

Several other informal groups were set up in Ruse, Veliko Tarnovo, the former capital of Bulgaria (1187-1878) and Gabrovo.

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Sweden calls off West German submarines visit

By Sara Webb in Stockholm

THE Swedish Defence Ministry has asked West Germany to cancel visits of its submarines to Swedish waters for fear that they could become entangled in a search for submarines of unknown nationality thought to be lurking off the Swedish coast.

Depth charges, anti-submarine grenades and mines have been dropped in waters around both Sweden on the west coast and Stockholm and Oresund on the east during the past week after signs that foreign submarines were violating Swedish territorial waters.

Violations of Swedish territorial waters are an annual summer event and the military widely suspect that the submarines are from the Soviet Union.

Mr Ingvar Carlsson, the Prime Minister, earlier warned that "blood could flow" if the violations continued, but when his Soviet counterpart, Mr Nikolai Ryzhkov, visited Stockholm he dismissed allegations of Soviet involvement as absurd.

The Huhtamäki Group: Food-drugs-packaging entity in search of new prospects

By Victor Thorne, Helsinki

Acquisitive, profitable and securely founded on brand name products, from candy and chewing-gum to IUDs and contraceptive implants, from ophthalmics and pharmaceuticals to paper and plastic disposable tableware, Finland's Huhtamäki Group has already prepared itself for the advent of 1992 with consolidation in its four main operating sectors of confectionery, food, health care and packaging.

Backed by a firm establishment in the markets of Europe and the United States, an efficient and flexible management structure and adequate capitalisation, this food-drugs concern is ever on the acquisition trail, with suitable commercial prospects targeted well in advance of any opportunity to purchase.

Last year alone, Huhtamäki bought up two Finnish drug manufacturers, Star and Rohto, as well as the West German disposable packaging firm of Bellaplast.

And only last month (May), the group announced its purchase from Rail Corporation of the Lylpak group of companies, a leading A\$ 100 million turnover food service disposables manufacturer operating in Australia and New Zealand, in a deal valued at A\$ 104 million.

With the inclusion of Lylpak, Huhtamäki's highly successful Polarcup group assumes the position of the world's third largest supplier of disposable tableware, the largest outside the United States.

The current relocation of Polarcup's group headquarters from Finland to Wiesbaden, in West Germany, is indicative of the parent company's global philosophy of decentralised management.

Sweden calls off West German submarines visit

By Sara Webb in Stockholm

THE Swedish Defence Ministry has asked West Germany to cancel visits of its submarines to Swedish waters for fear that they could become entangled in a search for submarines of unknown nationality thought to be lurking off the Swedish coast.

Depth charges, anti-submarine grenades and mines have been dropped in waters around both Sweden on the west coast and Stockholm and Oresund on the east during the past week after signs that foreign submarines were violating Swedish territorial waters.

Violations of Swedish territorial waters are an annual summer event and the military widely suspect that the submarines are from the Soviet Union.

Mr Ingvar Carlsson, the Prime Minister, earlier warned that "blood could flow" if the violations continued, but when his Soviet counterpart, Mr Nikolai Ryzhkov, visited Stockholm he dismissed allegations of Soviet involvement as absurd.

The Huhtamäki Group: Food-drugs-packaging entity in search of new prospects

By Victor Thorne, Helsinki

Acquisitive, profitable and securely founded on brand name products, from candy and chewing-gum to IUDs and contraceptive implants, from ophthalmics and pharmaceuticals to paper and plastic disposable tableware, Finland's Huhtamäki Group has already prepared itself for the advent of 1992 with consolidation in its four main operating sectors of confectionery, food, health care and packaging.

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The Huhtamäki Group: Food-drugs-packaging entity in search of new prospects

By Victor Thorne, Helsinki

Throwaway success: Polarcup is world number 3 in disposables

"In strengthening our financial position overall, we're aiming to have a head start if an interesting acquisition opportunity arises," he states.

"The ability to reach a quick decision, for instance, was instrumental in acquiring the three US companies now forming Leaf Inc."

Developments in the confectionery sector were highly satisfactory last year. Following three years of major consolidation from its US base, Leaf recorded a healthy sales performance everywhere, with sales taking a mighty 18% leap in 1987 - proving that what Tarkka describes as a "strong organic growth" was achievable.

"Leaf has gone on growing this year," he adds, "bringing Chuckles jellied candies and Pine Bros. cough drops into the fold and buying 49% of the shares of L.S. Heath & Sons, a medium-sized manufacturer of chocolate, coffee and ice cream flavourings."

Leaf's annual sales of its largest single product, Whoppers malted milk balls, exceed £27 million. Other high-profile brands in North America include Jolly Rancher, Now&Later, Rain-Bo, Clark, Switzer, Good&Plenty, Mr. Freeze and Ice'n Creamy.

Asko Tarkka: "In Europe, Leaf has a presence in most countries. The Sportlife sugar-free gum made in the Netherlands and advertised via satellite TV channels is the subsidiary's first pan-

European brand and indicative of future plans for other products.

There is Hellas, too - known for its Kylvot-Jenkki chewing gum as well as Tupla, Royal and Budapest chocolate products.

In the longer term, Huhtamäki regards pharmaceuticals as the area with the highest growth potential - but also the sector with the biggest question marks.

"We've built new research facilities and stepped up our R&D outlay considerably in narrowly defined niche areas," Tarkka maintains. "The results should be positive in both scientific and economic terms."

The group's priority areas include birth control products such as IUDs (NOVA T) and implants (Norplant), ophthalmics (with ophthalmic drugs of the nature of Oftan) and a range of drugs for cardio-vascular problems, cancer and respiratory diseases.

Internationally known brand names in this respect include the Salbuterol asthma drug series, the cancer drug Tamofen and an original preparation, Normosang, for the treatment of acute hepatic porphyria.

Being comparatively small in the field allows Huhtamäki to operate profitably in corners of the market too insignificant in volume terms for the giant pharmaceutical concerns to find interesting. It also means that the company's expenditure of some 12% of its net sales on R&D in this sector is allowed to reap rewards.

On the prospects for growth in pharmaceuticals, Tarkka explains: "Any expansion in this sector will arise from our own ability to be innovative and to market internationally. We're represented in many countries and also run sales offices of our own."

"However, the volume of our pharmaceutical business is such that we simply cannot afford a world-wide network. For this reason, we've been actively looking for a partner who already operates a sales and distribution system internationally."

Such a move is very much in line with the company's global strategy. And it is a strategic policy that is designed to arm Huhtamäki for commercial combat within the fiercely competitive, barrier-free EC.

Asko Tarkka concludes: "We're already well entrenched in continental Europe in the confectionery, pharmaceutical and packaging markets, but nevertheless are consciously fortifying our foothold in the Twelve."

"In the few years' run-up to 1992, we'll be aiming to create a pan-European front to put us in a more strongly competitive position in the European Community markets."

"Growth and consolidation - that's our style."

HUHTAMÄKI

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The new cars are at your Ford dealer now. So why not call in and get down to business.



Ford Sierra

سييرا الجديدة

Ruling threatens Iran-Contra prosecutor's case

BY LIONEL BARBER IN WASHINGTON

THE SPECIAL prosecutor in the Iran-Contra affair has run into difficulties in his case against former White House aide Lieutenant Colonel Oliver North, former National Security Adviser Rear Admiral John Poindexter, and two others. A judge in Washington has ordered separate trials for the four and told the prosecutor, Mr Lawrence Walsh, he must decide by today whether to proceed to trial against Col North or Admiral Poindexter.

The ruling appears to threaten a central part of Mr Walsh's case - alleging a conspiracy by the four men to defraud the US Government and cover up their activities. These are alleged to include selling arms to Iran and diverting the profits to the Nicaraguan rebels, and other unauthorised covert operations.

More positively for Mr Walsh, it looks unlikely that US District Judge Gerhard Gesell will dismiss the 23-count indictment on the grounds there is no case to answer. This raises the possibility of trials stretching into the presidential campaign and more coverage of a scandal which has already hurt the Republican Party candidate, Vice-President George Bush.

Mr Walsh's problems stem from last summer when the congressional committee investigating the Iran-Contra scandal granted limited immunity from prosecution to several witnesses, including Col North and Admiral Poindexter. The House-Senate panel argued

Venezuela seeks loans to cover deficit

By Joe Mann in Caracas

THE VENEZUELAN Government is reportedly seeking around \$1.3bn to help cover a balance of payments deficit that could reach between \$3bn and \$4bn this year.

In one operation, the Government is trying to obtain a \$700m loan from the Bank for International Settlements, using part of its foreign reserves as a guarantee.

In another, it reportedly is asking for \$450m from international commercial banks against future sales of non-monetary gold mined from large deposits of the mineral that exists in Venezuela's Guayana region. A possible hitch in this deal, however, is that the banks may ask for some kind of guarantee other than receipts from gold that has not yet been removed from the ground.

The Government began selling gold from the Guayana mines last year and has obtained \$126m for six metric tonnes placed internationally. It also has gold worth around \$5bn as part of its international reserves. This monetary gold could be used as a guarantee for international loans, or in some type of repurchase agreement (Repo).

City once called the most polluted on earth has slashed toxic emissions

Cubatão: Brazil's ecological success

ONCE described as the most polluted place on the face of the earth, the town of Cubatão is turning into Brazil's first environmental success story, Reuters reports from Cubatão.

For decades, its 24 heavy industrial plants belched 70 noxious pollutants into the air. Asthma, bronchitis and other respiratory ailments were rife, and fish disappeared from the rivers.

But a four-year programme to clean up Cubatão, 80 km south-east of São Paulo, is ensuring a healthier existence for its 100,000 inhabitants. With the fish back after 30 years, the town is even planning a fishing festival.

When the São Paulo state government launched the pollution control programme in 1984, experts identified 330 points of toxic emission from the local fertilizer, petrochemical and steel plants. Today 98 such points remain and officials expect to control them by December 1989.

In 1984, toxic emissions led Cetesb, São Paulo's environmental agency, to declare 17 states of alert under which plants were closed until air quality was back to an accepted level. In 1987 only four alerts were declared.

Mr Paulo Nogueira, a former federal secretary for the environment who in 1984 called Cubatão the most polluted place on earth, now highlights the improvements made.

scattered by the effects of pollution - skeleton trees and naked veins of barren land where plants once thrived.

State prosecutors in São Paulo have taken 24 companies in Cubatão to court, demanding reforestation of the area.

"We want the companies to restore 67,000 hectares of plant life," said Prosecutor Ronald Magri.

If the state wins, the companies would have to pay up to \$800m, the highest sum paid in an environmental case in Brazil, probably in Latin America, the prosecutor said.

The companies involved in the suit include the Brazilian subsidiary of Union Carbide and Rhodia SA. During the 1964-65 military dictatorship the Government made Cubatão an area of "national security" under direct federal control, because of its industrial importance.

Ecologists said Cubatão's special status had made it harder to introduce environmental controls. The town is home to Petrobras, the national oil company, and a state steelworks, Cosipa.

Near the Cosipa plant are the remnants of Vila Parisi, a shantytown caught between nine factories. Until recently, 15,000 people lived under the factory chimneys. Many complained of dizziness, headaches, coughing and high blood pressure. Most have been transferred to

Progress in Nicaragua peace talks

By J. D. Gannon in Managua

THE LAST scheduled day of negotiations between the Nicaraguan Government and their Contra opponents began in Managua yesterday with an agreement apparently close but uncertain.

Progress on a final accord has clearly been made, both sides reported. So much so, in fact, that Sandinista Defence Minister General Humberto Ortega presented the Contra delegation with a complete calendar for an end to the war and the rebels' re-integration into civilian life.

"If an accord is signed today," said Gen Ortega, who is the Sandinista chief negotiator, "the last Contra could have laid down his rifle by October 10."

But, he added, "we must have patience". The Government appeared pessimistic on Wednesday afternoon when hardline Contra director Mr Aristides Sanchez took over as rebel chief negotiator from Mr Alfredo Cesar, the most liberal member of the rebel directorate.

But Mr Hans Jürgen Wischnewski, the West German Social Democratic Party official who advises the Sandinistas as a member of their delegation, said: "We have never been so close" to reaching an agreement, he said.

Mr Wischnewski said the date June 15 was mentioned by the rebels as the starting date for the calendar of events.

US Senate extends Medicare protection

BY STEWART FLEMING IN WASHINGTON

THE US Senate has approved legislation providing for the biggest expansion of the federal health care programme for the aged since it was launched in 1965.

The legislation, already approved by the House, amends the Medicare system to provide for "catastrophic" health care for the elderly. Any of the 32m Medicare beneficiaries will be entitled to free hospital care once they have paid the annual fee of \$664 (\$312).

In addition a patient will not have to pay more than \$1,270 a year for doctor services covered by Medicare provided those services are approved by the federal health system.

Senator Lloyd Bentsen, chairman of the Senate Finance Committee, said: "What we are doing is saying to the elderly that the nightmare you feared so much - if you have catastrophic illness you are going to have your life savings wiped out - is going to be taken care of."

Although the Administration of President Ronald Reagan, bowing to political pressure, has supported passage of a catastrophic health care plan, the scheme is more comprehensive than it envisaged.

Prospective beneficiaries will have to meet higher monthly Medicare premiums, beginning at \$3.80 next year. Wealthier retirees will have to pay a tax surcharge.

Meanwhile, the Democrat-controlled House killed legislation, sponsored by the 87-year-old Representative Claude Pepper, which would have provided federal financing for long-term home care for retirees, the disabled and children under 19. The bill could have added as much as \$9bn a year to the costs of the Medicare programme.

Rejection of the Home Care Bill, which was supported by the powerful lobbying groups representing older Americans, shows how anxious Democrats are to avoid giving the Republicans evidence to support their contention that the Democrats are taxers and spenders.

The nation's health care system will continue to be a focus of political debate this year. Governor Michael Dukakis of Massachusetts, the likely Democratic presidential nominee, has pushed a universal health care bill for his state which was approved a few weeks ago.

Revised US visible trade figures confuse markets

BY ANTHONY HARRIS IN WASHINGTON

THE FOREIGN exchange markets were thrown into confusion yesterday by the publication of the seasonally-adjusted US merchandise trade figures for the last two-and-a-quarter years.

The adjustment showed a higher deficit for the first three months of this year, and especially for the unexpectedly good March figures, than the previously published figures. The first quarter regularly produces more favourably figures than those for later quarters. This was first read as a downward revision of the figures, and the dollar was marked down, only to recover on a closer reading of the news.

In fact the only news in the announcement was good: the deficits for January and February were both revised downwards by nearly \$1bn, mainly because the statisticians seem to have had trouble keeping up with the surging growth of exports.

Month	seasonally adjusted	original	revised	3 month average
March 88	11.95	9.75	N.A.	12.53
Feb 88	14.41	13.83	12.99	13.16
Jan 88	11.27	12.44	11.53	12.90
Dec 87	13.80	12.20	13.03	14.35
Nov 87	13.62	13.22	13.46	14.37
Oct 87	15.56	17.83	16.99	14.86
Sept 87	13.94	14.06	13.98	14.30
Aug 87	15.08	15.88	15.31	14.67
July 87	13.88	16.47	16.08	14.34

Source: US Dept of Commerce

The opening of Sanyo Securities' vast new trading room on the waterfront in Tokyo ushers in a new era for Japan's securities industry. A single dealing room for all instruments, and a strong commitment to the latest information technology systems puts Sanyo Securities in an unrivalled position to expand in line with client demands. President Yoichi Tsuchiya explains.

By Brian Robbins

Robbins: Sanyo Securities has just completed the world's largest trading room. Why did you decide to build it?



Mr. Yoichi Tsuchiya, President, Sanyo Securities Co., Ltd.

Tsuchiya: I think you would understand if you saw it. Globally the securities industry has undergone some radical changes in the past few years. Probably no area has been more affected by these changes than trading. We are seeing a dramatic growth in the interdependence of markets across the board. CB's, warrants and index futures markets respond to movements in underlying equities, which in turn may respond to movements in the bond markets, which may be affected by changes in the currency markets. Being able to follow the flow of news and its impact on these diverse markets has become a paramount consideration.

Coping with the increasing interdependence of markets

We felt strongly that the only way to address these developments was to create a trading centre that would allow us to place all trading functions under one roof and in one open, interactive area.

Certainly Sanyo was not the first firm to come up with this idea. You have only to look at recent developments in trading rooms at Salomon Brothers, Bear Stearns and Merrill Lynch to see that this has become an important concern for any brokerage firm looking to be competitive - especially given the market environment that's currently unfolding. But those new rooms by necessity were often renovations of existing facilities. Where Sanyo has been extremely fortunate is in having enough undeveloped space to construct a whole building and thereby create the ideal trading environment.

Robbins: So is Sanyo unique in Japan for having undertaken such an ambitious venture?

Tsuchiya: Well frankly, I'm not sure we even realised this was where we would end up when we first undertook the project. Adequate space has been a problem that goes back to the 1971 merger of the three firms that make up Sanyo. When the land on the Tokyo waterfront did become available, we saw this as a perfect opportunity to move our ever-expanding back offices to the new area - much as Merrill Lynch did when it moved its back offices to

New Jersey. But while land is extremely expensive anywhere in Tokyo, finding a parcel of land large enough to build anything substantive is so unusual that we quickly realised that we were looking at a far more exciting opportunity - that of creating the "perfect" trading centre from scratch.

Think of Japan as the U.S. ten years earlier

Robbins: With the competitive environment changing rapidly in Japan, do you see this trading centre as a key to meeting this mounting challenge?

Tsuchiya: Well I look at the problem a bit differently. I think of the value of the trading centre more in terms of meeting the increasing needs of our customers. They're the ones who demand better information and execution flows. If I can use the U.S. as an example, once the markets started to deregulate, clients began to play an increasingly aggressive role in requiring more comprehensive services from their brokers.

In some sense this growing diversity of client demands is also a product of the institutionalisation of the market. You might say that today Japan is much like the U.S. in the late 60's when institutions comprised more than 50% of the trading activity of the market for the first time. That was a development that had far-reaching implications for the future course of the securities industry in that country.

Robbins: Does this mean that you will be focusing more attention and capital on block-trading and market-making for institutions?

Tsuchiya: There's no question that once commission rates become further liberalised, trading levels will increase and there will be greater demands on brokers to pro-



Sanyo's Tokyo trading room, the world's largest.

vide these services. I see the current focus in our trading centre as being an important move in meeting those needs. But the real key will be how readily securities firms can expand their existing capital bases to meet the required capital ratios. If this can't be accomplished through retained earnings, then I'm afraid that brokers in Tokyo may face the same prospect that firms in the U.S. have in the past few years - mergers or business tie-ups may be the only option.

Creating an all-weather business

But that's not going to be the only consideration for the future. I feel it is going to be equally important to maintain enough breadth in our outlook to weather any dramatic shifts in market sentiment. I'd like to see our trading centre as providing us with a strong foundation for that diversification, particularly in keeping us well-balanced in terms of retail, institutional and foreign business.

For the retail side, it certainly will enhance our ability to handle volume small-lot trading. For the institutional client there is the ability to handle complex inter-market information flows and provide a 24-hour trading capability. I see our dedicated communication system as providing the kind of global linkage required for two-way trading in any of the major markets.

Robbins: Recently there's been considerable discussion in the press about how quickly these trading rooms can become obsolete. How do you expect to address that problem?

Tsuchiya: What we've tried to

do over recent years is develop a strong in-house capability for development of financial technology. We now have nine subsidiaries dedicated to software and systems development, and I think it is this capability that will allow us to be responsive and flexible to the pressure of constant change.

New developments for portfolio managers

Robbins: You've particularly stressed financial technology and the institutionalisation of the market as important. Do you see these two developments as having an impact on asset management in Japan and if so, what implications would this hold for Sanyo?

Tsuchiya: Clearly Japanese money managers have lagged behind foreign managers in their level of sophistication and professionalism. In this sense our joint management ventures with U.K., U.S. and global management firms have been particularly valuable. The techniques the European managers have shown us for global strategies and the technology and theory that the Americans have developed for portfolio construction have been important contributions. But these are skills that don't always translate perfectly in the Japanese system. That's where I think a company like

Sanyo can play an important role. We can assess which of these techniques really is transferable to the Japanese market and which isn't. And where strategies aren't transferable we can develop alternative technologies.

I think we'll start to see securities firms play an increasingly important role in passing on this knowledge to their clients and providing institutional investors with the tools they require to function more efficiently and responsively.

Robbins: Will this be important in your international strategy as well?

Tsuchiya: Most definitely. I think much of the work we've been doing in financial technology has provided an important way to demystify the vagaries of the Japanese market for international clients. And the adaptations we have made of models to the Japanese market should be invaluable for international and domestic investors alike.

But I'd like to think that when we talk about international strategy, we don't just reflexively assume that internationalisation means expanding our sales of Japanese stocks to international investors. What I envision for an international strategy is a genuine, literal global policy - the integration of all domestic and international business into one organic whole.



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OVERSEAS NEWS

South African white miners accept 12% rise

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S 28,000 white gold and coal miners have accepted 12 per cent across-the-board wage increases, a settlement which appears to recognise the men's steadily diminishing bargaining power.

Reservists called up as Angola builds up forces

BY JIM JONES

SOUTH AFRICA'S Defence Force and Government appear to be walking a fine line between playing down for home consumption the call up of army reservists, while signalling to Luanda that the country will resist any threat from the latest build-up of Cuban and Swapo troops in southern Angola.

Uprising brings deep change to Palestinians

BY ANDREW WHITLEY IN JERUSALEM

THE FIRE of the intifada (uprising) may have burned down, but the coals were still glowing hot under the surface. Mr Yitzhak Rabin, the Israeli Defence Minister told a parliamentary committee a few days ago.

Andrew Gowers writes from Algiers on the issue which has dominated the summit

Arab ranks closed by revolt in Israel

IF THERE is one message that emerges loud and clear from this week's emergency meeting of Arab leaders in a hilltop hotel overlooking the bay of Algiers, it concerns the central role which the Palestinian revolt in the Israeli occupied West Bank and Gaza Strip has assumed in the politics of the Arab world.

In other words, a summit that seemed destined at the outset to be a forum for the Palestine Liberation Organisation to pursue its maximum demands for support has turned into something rather more sophisticated.

Mr Arafat has certainly wasted no opportunity this week to press for an unequivocal reaffirmation of the PLO's status as "sole legitimate representative" of the Palestinian people.

Pakistan accused by Moscow

By Quentin Peal in Moscow

PAKISTAN was yesterday formally accused by the Soviet Union of a string of violations of the Afghanistan peace agreement, including large-scale shipment of arms to Afghan rebels, and allowing US and French instructors to cross its border to train guerrillas to use advanced missiles.

Zia names 18 member cabinet

By Mohammed Afzal in Islamabad

PRESIDENT Gen Zia ul-Haq yesterday announced an 18-member cabinet, half of whom were ministers in ex-Prime Minister Mohammed Khan Junejo's Cabinet. The Junjo Cabinet was dismissed on charges of corruption, and other failures on May 25. The National Assembly was also dismissed on similar grounds then.

Robert Thomson in Peking describes how direct-dial-democracy revealed a preoccupation

Inflation fears set Chinese hotline buzzing

"ARE MY ration coupons still useful?" a worried woman asked the hotline operator, an elderly man who had slipped through the state labour system desperately needing support.

calls were accusations of cadre corruption. They might be allegations that a certain official had lined his pockets with public money or had used influence to help himself jump the long housing queue.

Restorers blamed for crumbling Sphinx

EGYPTIAN and foreign experts approved new emergency steps to repair the crumbling Sphinx, which has stood guard over the Giza pyramids on Cairo's outskirts for 4,600 years.

and mortar, and decided instead on an ancient method of interlocking blocks to support the structure. Mr Hawass said.

Perhaps the bravest man I ever knew... and now, he cannot bear to turn a corner. EX-SOURCES METAL WELFARE SOCIETY

BRIDGESTONE CORPORATION (Formerly Bridgestone Tire Co., Ltd.) U.S. \$70,000,000 5% per cent Convertible Bonds due 1996 (the "1996 Bonds")

IPNA 3 N.V. Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA 3 N.V. will be held on June 27th, 1988, at the office of the Stichting in Amsterdam, Herengracht 320 at 09.30 a.m.

IPNA 2 N.V. Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA 2 N.V. will be held on June 27th, 1988, at the office of the Stichting in Amsterdam, Herengracht 320 at 15.00 p.m.

IPNA N.V. Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA N.V. will be held on June 27th, 1988, at the office of the Stichting in Amsterdam, Herengracht 320 at 14.00 p.m.

INDOSUEZ PARTNERS PROPERTIES IN NORTH AFRICA (IPNA) N.V. Notice is hereby given that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of Depositary Receipts of IPNA N.V. will be held on June 27th, 1988, at the office of the Stichting in Amsterdam, Herengracht 320 at 14.00 p.m.

OBITUARY P.C. Mahanti: FT's Calcutta correspondent Mr P.C. Mahanti, the Financial Times's correspondent in Calcutta, died on Monday after a prolonged period of ill health. He was 62.

The Carlyle Hotel Discerning visitors to New York select The Carlyle, one block from Central Park, for its consistent excellence. The solicitous staff is ever eager to please.

UK NEWS

Rolls-Royce plans £300m upgrade of RB-211 engine

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is to spend more than £300m on a more powerful version of its RB-211-524 jet engine, the model L, for airliners now under development. These are the twin-engine, short-to-medium-range Airbus A-350, bigger or longer-range versions of the two-engine 767-300, planned by Boeing, and the long-range McDonnell Douglas three-engine MD-11.

ROLLS-ROYCE is to spend more than £300m on a more powerful version of its RB-211-524 jet engine, the model L, for airliners now under development. These are the twin-engine, short-to-medium-range Airbus A-350, bigger or longer-range versions of the two-engine 767-300, planned by Boeing, and the long-range McDonnell Douglas three-engine MD-11.

Currie puts aduki bean soup on the health menu

By Lisa Wood

"IF YOU can satisfy squaddies, you can satisfy anybody," according to Mrs Edwina Currie, junior health minister. The way to do it, according to Mrs Currie, is to feed them passion cake, aduki bean soup and asparagus balls.

Terry Dodsworth on the break-up of the Thorn Ericsson joint venture

Telecoms partners grow apart

THORN EMT's withdrawal from its joint venture with Ericsson in telecommunications equipment manufacturing is the result of sharp changes in the direction of both companies over the last few years. For Thorn, the reorientation has led to steady disposal of assets since 1985, when the group ran into financial trouble after a period of expansion.

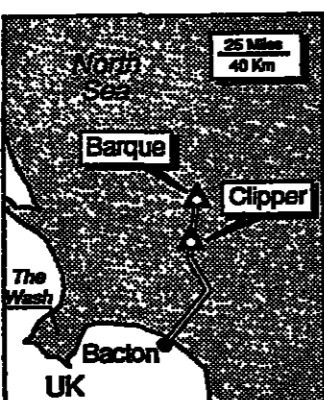
Ericsson is not saying yet how much it will pay for Thorn's stake. However, analysts believe it will total £50m to £70m - an adequate return for Thorn, they say, and a reasonable sum for Ericsson to be paying for sales of about £130m a year.

Go-ahead for £420m gas project

BY STEVEN BUTLER

SHELL AND Esso yesterday announced plans for a £420m gas field development in the southern North Sea. The Department of Energy has given the go-ahead.

Work is to proceed immediately on building three platforms for the Barque and Clipper fields, in the Sole Pit area. Shell UK Exploration and Production will operate the field on behalf of Shell and Esso.



The Barque and Clipper gas fields in the North Sea.

The project involves one of the single largest contracts in the history of North Sea developments, a nearly £100m (£55.2m) turnkey contract awarded to Brown & Root-Wimpey Highlands Fabricators, in a joint venture with Brown & Root-Vickers and SLP Engineering.

Mr Andy Pile, project manager at Shell, said Shell would save between nine months and a year by awarding the contract on that basis. Shell was able to use the long gas negotiation period with British Gas, amounting to 18 months, to draw up its own specifications for the project.

Appeals expected over GCSEs

BY DAVID THOMAS, EDUCATION CORRESPONDENT

THE EXAMINING boards are bracing themselves for an surge in appeals by schools and parents after publication in August of the first results of the 16-plus General Certificate of Secondary Education examination.

The examining boards denied that there had been an unacceptable level of errors in GCSE examination papers. However, they plan to review the GCSE once this year's examination is over. They accept that the workload has been too heavy in some subjects.

Universities may face 'efficiency' test

BY DAVID THOMAS, EDUCATION CORRESPONDENT

THE GOVERNMENT appears likely to take into account the relative efficiency of universities when distributing funds under its new arrangements for funding higher education.

Mr Robert Jackson, Minister for Higher Education, yesterday strongly hinted that he expected universities to increase their student/staff ratios, as with the recent trend in polytechnics.

BP chief confirmed as chairman of smaller power company

BY MAURICE SAMUELSON

THE GOVERNMENT has confirmed that Mr Robert Malpas, a managing director of British Petroleum, will be named chairman of the smaller power company.

Mr Malpas, 60, who is also chairman of the highly profitable BP Chemicals, will assume the new position in mid 1989 when he is due to retire from BP.

Accountant advice row flares up

By Richard Waters

THE SMOLDERING dispute over accountants' involvement in corporate financial advisory work was stoked into a flare yesterday on publication of a survey.

The survey showed that 96 per cent of Unlisted Securities Market companies believe accountants should advise on mergers and acquisitions.

The survey was of 80 USM companies and commissioned by Coopers & Lybrand, the accountancy firm.

Regulation of utilities 'difficult'

BY MAX WILKINSON, RESOURCES EDITOR

REGULATING the big privatised utilities will prove more difficult and more complex than many people expect, say two Oxford economists in a paper published yesterday.

Dr Dieter Helm and Professor George Yarrow say the apparent simplicity of the Government's formula for limiting price increases is "largely illusory".

They point out that the X factor in the RPI minus X formula will have to be reset periodically. That must be done in relation to the costs.

SIB chief Croft reappointed for three years

By Richard Waters

MR ROY CROFT, chief executive of the Securities and Investments Board, the chief regulator under the Financial Services Act, has kept his post after the dismissal of his former chairman, Sir Kenneth Berdill.

Smith & Nephew Textiles head resigns

BY ALICE RAWSTHORN

THE HEAD of Smith & Nephew Textiles, part of the medical and health care products group, has resigned after only a year in the post.

Mr Chris Davies left the group this week. Mr Eric Kinder, chief executive, declined to comment on the reason for his resignation, but described his departure as "amicable".

The specialist plants are presently performing well, but the denim factory has had difficulties. Its export activities have suffered from the strength of the pound and home sales have been affected by an influx of imports.

Plessey Radar wins 'star wars' contract

BY LYNTON McLAIn

PLESSEY RADAR, the Isle of Wight subsidiary of the Plessey company, was awarded a £500,000 (£276,000) contract for the US Strategic Defence Initiative "star wars" programme yesterday.

It is the third SDI contract awarded to Plessey companies since the programme was launched in the mid-1980s and brings to 64 the total number of SDI contracts awarded to UK companies, out of the total of 142 SDI contracts awarded outside the UK.

Advertisement for EWART p.l.c. offering an introduction of £180,000 8 1/2 per cent Unsecured Loan Stock 1990/95.

Advertisement for NORTHAMPTONSHIRE Financial Times survey on 21st June 1988.

Business Expansion Scheme 'has failed'

BY CHARLES BATCHELOR AND VANESSA HOULDER

THE BUSINESS Expansion Scheme, launched by the Government in 1983, has largely failed in its main purpose of providing capital for small companies, according to a report published yesterday.

BES provides tax breaks for people investing over five years in qualifying small companies. There are three main methods through which investments, which have been typically used to raise smaller amounts of money for individual companies; through funds which spread their investments over several companies; and through direct investment in individual companies.



me

daisy

mummy

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UK NEWS

Rolls-Royce to upgrade RB-211

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is to spend more than £300m on a more powerful version of its RB-211-524 jet engine, the model L, for new twin-engined and three-engined airliners under development.

These are the twin-engined short-to-medium range Airbus A-330, bigger or longer-range versions of the twin-engined 767-300, now planned by Boeing, and the long-range McDonnell Douglas three-engined MD-11.

Rolls-Royce is discussing the new engine with all three aircraft manufacturers, and with a number of airlines, including British Airways, which have big orders in mind over the next year or so.

The new engine will at first have a thrust rating of 65,000 lbs, but will eventually be capable of further expansion up to 70,000 lbs, and could go even further if needed to 75,000 lbs.

This compares with the 60,600 lbs thrust of the hitherto most powerful RB-211-524, the model H which is already under development for the fleet of 11 long-range Boeing 767-300s on order for British Airways.

Rolls-Royce has recognised for some time that it would eventually have to boost the RB-211-524 further, to meet the competition for high-thrust engines emerging from its US rivals, General Electric with the CFE-802 and Pratt & Whitney with its PW-4000 series.

Both those manufacturers are already offering versions of those engines at over 60,000 lbs thrust, and have openly talked about going further.

Rolls-Royce is aiming to leapfrog those programmes, by developing from an engine of higher power than either GE or Pratt & Whitney can offer, and with greater potential for further growth.

Such massive engines are now needed because airliners are becoming bigger and heavier. Many airlines are now using twin-engined aircraft for long-range routes, especially over the Atlantic and Pacific oceans, where the traffic loads do not justify the use of bigger Boeing 747 four-engined equipment.

Also, on shorter routes, notably in Western Europe and the US, where congestion at airports and in the air traffic control system is already serious and seems likely to worsen, there is growing demand for bigger, twin-engined equipment which can carry more passengers per flight, rather than for larger numbers of smaller aircraft.

The Airbus A-330 high-density aircraft, which can carry close to 350 passengers up to 5,000 nautical miles, is designed specifically for these roles, while Boeing has plans for even bigger versions of its 767 for similar duties.

Rolls-Royce yesterday revealed it had won a £10m contract from the Ministry of Defence to repair Adour jet engines for the RAF's Hawk and Jaguar aircraft. The work will be done at East Kilbride Air Motive, the Rolls-Royce repair base in Scotland.

The company also revealed it had developed a new more powerful version of the Pegasus jet engine which powers the Harrier jump-jet fighter. Called the 11.61, it has a thrust of 23,800 lbs against the current most powerful version's 21,500 lbs, and will enter service in 1990 with the launch customer, the US Marine Corps.

British Coal pollution research plant may be closed

By Clive Cookson

BRITISH COAL'S £38m experimental plant to develop new technologies for clean coal-fired power stations will have to close down later this year, unless a new source of funds is found very quickly.

The financial crisis at the pressurised fuelbed combustion plant at Grimethorpe in South Yorkshire follows a decision by the Central Electricity Generating Board not to renew its three-year agreement with British Coal to share the costs of research there.

The plant was set up jointly by the UK, the US and West Germany in the early 1970s.

Mr Stephen Dawes, director of Grimethorpe, said that the latest technology developed there, known as a "topping cycle" promised to be the best solution to the problem of burning coal efficiently in a power station without emitting the pollutants which cause acid rain.

Britain has faced stern criticism from its European neighbours for its attitude towards measures designed to limit the pollutants causing acid rain.

British Coal estimates that Grimethorpe will need a further £38m over the next three years and says it cannot afford to pay more than half of that itself.

British Coal officials are now lobbying the UK Department of Energy to provide most of the remaining funds, perhaps with a contribution from the European Community or the US Department of Energy.

The CEBG said it was not prepared to put any more money into Grimethorpe, because the process would only work well in small stations and the board wished to build only big plants.

British Steel bends itself into shape for sell-off

Nick Garnett analyses the UK steel industry's productivity record

"YOU'VE GOT to be able to fire a goddam shotgun down the shop-floor and not hit anyone."

This was the description, coined some years ago by Sir Ian Macgregor, the former chairman of the British Steel Corporation, about the kind of low-manned plant required by a modern steel industry.

After spending £386m in capital investment in the past five years, it is a mark of the times that BSC, which is heading for privatisation towards the end of the year, has some plants now where you could let fly with buckshot and fail to hit a target.

At Port Talbot in South Wales, the corporation's most efficient strip mill, the actual steelmaking section of the plant requires just 75 men per day spread across three shifts to produce 45,000 tonnes of liquid steel a week.

The dramatic improvements in productivity at BSC, involving a labour reduction from 140,000 in 1980 to 82,000 today and the closure of more than a hundred pieces of production kit, have played a large part in changing the financial fortunes of the corporation.

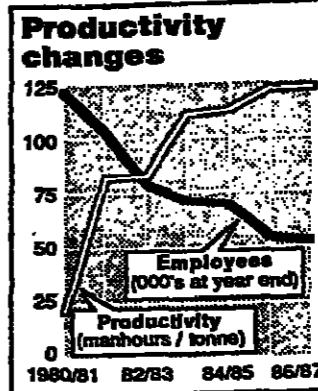
Next month, Sir Robert Schrey, Sir Ian's successor as chairman, will announce bottom line profits for the 13 months to March this year which are expected to be more than double the £190m made in the first six months. This compares with an accumulated loss of £7bn in seven of the 10 years before BSC emerged into profit in 1985.

This week the world's fourth largest steel company began a new round of publicity exercises designed to sell itself to institutions and the public.

As it heads for privatisation towards the end of the year, managers at BSC will be fielding questions on several fronts. How does it compare with its competitors? Will the factors that have contributed to its vastly improved performance still play in its favour?

Labour costs as a proportion of total costs have fallen from around 61 per cent at the turn of the decade to between 21 and 22 per cent now. Average man hours needed to make a tonne of steel have plummeted from 14.5 in 1980-81 to around six.

The gap has narrowed but not



restructuring and labour motivation, exchange rates and increased demand in the UK and elsewhere.

Structure. The corporation has changed radically. At nationalisation in 1967 it made steel on 28 sites and this is now down to five. Since 1980, the management structure has been simplified and partly decentralised and a pay structure introduced with performance bonuses accounting for up to 18 per cent of an employee's pay.

The plant configuration will almost certainly change and shrink over the medium term. The survival of the strip mill at Ravenscraig in Scotland is only guaranteed until next year. The rest of the Ravenscraig plant has a guarantee for another six years or so "subject to market conditions".

In the long term, the successor company to the corporation will probably work towards reducing the five integrated plants to two or three.

Exchange rates. The strength of the dollar and the fall in the D-Mark from more than four to the pound to around three in the past two years has contributed a substantial chunk to the corporation's improved profits.

About 38 per cent of BSC purchases are dollar-related. This represents a huge sum. The cost to the corporation of purchasing ferrous alloy, coal and iron ore last year was the equivalent of £1.25bn.

Corporation managers seem confident that the successor company could cope with some swing in currency. A sharp and sustained change, however, would reduce profits and almost certainly spark further rationalisation.

Demand. The corporation sells 60 per cent of its output in the UK market where demand grew by between 8 and 10 per cent last year, according to Mr Martin Llewarch, the corporation's chief executive. UK demand is growing again this year but at a slower rate.

Sir Robert believes that growth in demand will slow further and price pressures increase in the market towards the end of this year. He says BSC is in as good a position as any European producer to cope with this.

Shell and Esso plan North Sea gas field

BY STEVEN BUTLER

SHELL AND Esso yesterday announced plans for a £420m gas field development in the southern North Sea following approval of the project by the Department of Energy.

Work is to proceed immediately on construction of three platforms for the Barque and Clipper fields, in the Sole Pit area. Shell UK Exploration and Production will operate the field on behalf of Shell and Esso.

The project involves one of the single largest contracts in the history of North Sea development, a turnkey contract worth £55.24m awarded to Brown & Root-Wimpey Highlands Fabricators, in joint venture with Brown & Root-Vickers and SLP Engineering.

This is only the second time that development work in the

Union leader pressed to quit over reports

BY MICHAEL SMITH

THE National Communications Union was last night plunged into a leadership crisis after members voted to ask Mr John Golding to resign as general secretary over allegations about his personal life.

Mr Golding last night refused to reveal his intentions but said it was extremely unlikely that he would quit. A protracted battle over his future is in prospect.

The union's executive, which backed the motion seeking Mr Golding's removal, is taking legal advice over its options.

Any move to sack him would be strongly resisted by APEX, the executive and computer workers union of which Mr Golding is a member.

In a letter to the NCU before yesterday's national conference

vote, APEX said that debating the motion would be unlawful.

Mr Golding's problems stem in part from his politics. His moderate views are disliked by the left, who have recently increased their strength on the executive. Last year he only narrowly survived a motion calling for his resignation over his handling of the 1987 British Telecom strike.

Mr Golding's opponents yesterday kept their criticism to his handling of reports in the News of the World Sunday newspaper earlier this year about an alleged liaison with a prostitute.

Mr Eric Johnstone, a delegate from Ballymena who proposed the motion, said Mr Golding's failure to deny the allegations meant he had lost credibility as a negotiator and brought the name of the NCU into disrepute.

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UK NEWS

Kinnock fails to win transport union backing

BY PHILIP JASSETT, MICHAEL CASSELL AND JOHN WYLES

MR NEIL KINNOCK, the opposition Labour Party leader, yesterday received considerable blow to his bid to reform party policy when leader of the Transport and General Workers Union refused to nominate him for the forthcoming leadership contest.



Neil Kinnock: policy shifts

At the heart of the union's refusal lay Mr Kinnock's changing policy stance towards nuclear weapons disarmament. The Labour leader is a member of the TGWU and is sponsored by it. It is the party's biggest member union.

Labour leaders tried last night to limit the damage to Mr Kinnock, who is incumbent deputy leader. Mr Roy Hattersley is contesting a bid from Mr Tony Benn and Mr Eric Heffer for their respective posts. Mr John Prescott is also challenging for the deputy leadership.

However, further division over the issue at the heart of the union's move looked likely when in Rome Mr Kinnock forecast that next year's Labour conference would approve a shift away from the party's current policy of unilateral nuclear disarmament.

The TGWU's 39-member executive was divided over the recommendation by Mr Ron Todd, general secretary, that the union vote 1.22m block vote is the latest at Labour's annual conference should support Mr Roy Hattersley in the deputy leadership election always looked likely.

But left-wingers on the executive managed to win their preferred line that no decision should be made on either Mr Kinnock or Mr Hattersley's nomination. This was carried by 20 votes to 17, with two abstentions. The vote sufficed to make necessary the left's fall-back option of opening issue for consultation among the union's members.

Irrespective of support for both Mr Kinnock and Mr Hattersley, Mr Todd tried to keep separate the policy issues under consideration by Labour's review group.

Left-wingers made clear the strong concern about the party's abandonment of Labour's long-standing nationalisation policy in favour of public interest companies, and Mr Kinnock's shift earlier this week away from Labour's present policy of unilateral nuclear disarmament.

Before the executive reconvenes the nomination question at its next meeting in September, Mr Kinnock will press for "clarification" of the two issues, and other smaller reservations about the policy reviews.

Speaking yesterday in Rome, some senior party figures were acknowledging that Mr Kinnock may have made a serious error in pressing his views on defence before the union executive's meeting.

Business Expansion Scheme is criticised

By Charles Batchelor and Vanessa Houliker

THE BUSINESS Expansion Scheme, launched by the Government in 1983, has largely failed in its main purpose of providing capital for small companies, according to a report published yesterday by the Small Business Trust.

It says that although the amount of finance raised by companies through the BES - £410m in the three years 1983/84 to 1985/86 - has been similar to the sums raised in other forms of venture capital, the take-up rate has been low compared with other government schemes intended to help the small business sector, such as the loan guarantee scheme.

BES provides tax breaks for people investing over five years in qualifying small companies. There are three main methods: through prospectus issues, which have typically been used to raise amounts of more than £200 for individual companies; through funds which spread their investments over several companies; and through direct investment in individual companies.

The report argues that there is still an "equity gap" between £100,000 and £500,000 which BES has largely failed to fill. The popularity of prospectus issues has meant that companies seeking smaller amounts of money through BES funds have been squeezed out. Companies seeking less than £100,000 have fared better by persuading individuals to make direct investments.

Hopes that the scheme would assist high-risk businesses have also not been met, with most of the funds raised going to service sector businesses, often asset-related and predominantly in the wholesale, retail, property and leisure sectors.

The proportion of total finance invested in manufacturing has declined from about a third in 1983/84 to less than a quarter in 1985/86.

The report's authors call for BES funds to be made more attractive relative to prospectus issues; for the establishment of "marriage business" to encourage more direct investment by individuals; and for tax relief to be extended to people who become directors of BES funded companies.

Closing the Equity Gap? An Assessment of the Business Expansion Scheme. By Charles Batchelor, John Harrison and Richard Harrison. Published by the Small Business Research Trust, £25.

Edwina's army marches on high-fibre diet

BY LISA WOOD

"IF YOU can satisfy squaddies, you can satisfy anybody," says Mrs Edwina Currie, Junior Health Minister.

The way to do it, according to Mrs Currie, is to feed them passion cake, aubergin bean soup and anbergin bean.

British soldiers were among the guinea pigs for a new 251 recipe file, launched by Mrs Currie yesterday, for use in well-known eating establishments such as hospitals, schools and residential homes.

The squaddies, said Mrs Currie, hovering over a passion cake elegantly prepared by private caterers - thought the recipes were "smashing" and had no idea that they were eating a low-fat version of their favourite hamburgers.

Not that Mrs Currie, then cycling a piece of sticky prune cake (energy 175kcal, fat 3.8g and fibre 3.2g per portion) wanted to launch a national diet.

Rather, she said the recipes, prepared by a DESS working party and available in White Paper at Her Majesty's Stationery Offices, would provide practical help to caterers wanting to offer healthy, attractive and tasty dishes.

Mrs Currie, who has criticised the "fish and chips" diet of Northerners, was asked if the new recipes should be used particularly in the North.

"This entire nation has levels of heart disease that are among the highest in the world," she said. "We have nothing to be proud of about our national diet."

Asked what was different in the new recipe book from its predecessor, she said the recipes contained much more fibre, the fats were unsaturated and if flour was used it was often a mixture of white and wholemeal.

"Good food does not need to be expensive," said the Junior Health Minister, delicately peeling a grape.

Asked whether or not people should not be free to eat them selves into an early grave if they wanted to, she got down to the nitty gritty. Illnesses attributed to poor lifestyles cost the NHS a lot of money, she said. In addition, people when they keeled over said they wished they had been warned.

It is not just the recipes that have been designed to promote a healthier and longer life. A senior member of the working party confided that the reason for the recipes being contained on laminated cards was that too-well-thumbed hospital recipe books had been condemned by environmental health inspectors as health hazards in themselves.

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Asked whether or not people should not be free to eat them selves into an early grave if they wanted to, she got down to the nitty gritty. Illnesses attributed to poor lifestyles cost the NHS a lot of money, she said. In addition, people when they keeled over said they wished they had been warned.

Home video recordings face 28-day time limit

By Charles Hodgson

TELEVISION viewers who record television programmes on video tape must watch them and then wipe the tape clean within 28 days. Otherwise they will be breaking the law under new measures introduced by the Government yesterday.

The measures, introduced into the new Copyright, Designs and Patents Bill, seek to regulate the practice of taping programmes to be watched later, which is currently illegal but widespread. Tapes would have to be wiped clean after the time limit, preventing viewers from building up home video libraries.

Mr Francis Maude, the Conservative Affairs Minister, told the parliamentary committee considering the Bill that the move was designed to balance the interests of copyright owners and consumers.

Mr Maude said that the present system, under which home video is illegal, was "absurd" but that simply legalising home taping for private purposes would breach the international Berne Convention on copyright. He conceded that the measures would be difficult to enforce, but said people could be trusted to comply with a "reasonable law". Video taping for commercial purposes would remain illegal.

The Copyright, Designs and Patents Bill will update existing legislation on copyright, dating back to 1956, and bring it into line with international agreements.

The 28 day time limit was scathingly criticised by opposition MPs. Mr Tony Blair, the Labour Party spokesman on consumer affairs, said that the government was "legislating an absurdity".

Mr Blair said that the government was being inconsistent in opposing a Labour proposal that a levy be charged under the Bill on blank audio tape, yet seeking to regulate home video-taping. Labour had suggested introducing a similar levy on video tapes.

This indicates that the government is being wholly inconsistent in the way it treats different parts of copyright and has become dangerously adrift from its own White Paper," he said. The White Paper had concluded that there was no practical way of enforcing restrictions on home taping.

Mr Austin Mitchell, opposition trade and industry spokesman, suggested that tapes might be sold that "automatically explode" 28 days after they had been first used to ensure compliance with the law.

Birmingham's windfall is not all it seems, writes Richard Tomkins

EC aid package could be a let down

IT SEEMs like all its birthdays and Christmas rolled into one when Birmingham learned this week that it was to receive £203m in grants and loans over the next two years under a new European Community programme.

The sum is the largest single tranche of EC assistance yet awarded in the UK. It will contribute towards a total of £446m to be spent between 1987 and 1991 on improving Birmingham's infrastructure and regenerating the local economy.

But the city fathers are not yet giving out orders for the streets to be repaved with gold. Like most emanations from Brussels, the grant announcement is not quite as straightforward as it seems, and the £203m purse has strings attached.

The programme now swinging into action in Birmingham is a new EC creation known as an Integrated Development Operation or IDO. The system was introduced as part of the EC budgetary and regional aid reforms agreed at the February meeting of the Community leaders.

The aim is to improve the effectiveness of the aid available and improve planning capacity. Under it EC social and regional assistance is no longer to be handed out year-by-year and project-by-project. Instead, plans spanning a number of years are drawn up for specific areas, and European funds are combined with local sources of finance to produce a co-ordinated strategy for regeneration.

Although preceded by pilot programmes in Naples and Belfast, the Birmingham scheme - Expansion Scheme - is the first fully-fledged IDO to be approved. Four bids from northern England have also been submitted, and a total of 11 are planned in the UK.

The basic strategy underlying Birmingham's plan is to reduce unemployment by diversifying the city's traditional economic base. Special emphasis is to be put on the service sector, tourism, high-technology industries, small businesses and training.

The IDO consists of six linked programmes: economic action, communications, environment, tourism, business development and manpower. In each area, EC aid is being harnessed with funds from local bodies - notably Birmingham City Council, but also public utilities and others - to improve the infrastructure and environment.

Table with 3 columns: BIRMINGHAM I.D.O. (£m), EC grant allocation, Planned spend. Rows include Birmingham City Council, Severn Trent Water Authority, Private sector, Manpower Services Commission, British Rail, Midlands Passenger Transport Exec., Midlands Electricity Board, British Waterways Board, Total.

The grants will therefore make it easier for Birmingham to finance investment in the sense that they will relieve it of the burden of interest charges on borrowed capital, but they will not increase the total level of capital spending except in the unlikely event that the Government increases the city's capital allocation by an equivalent sum.

A related criticism is that many of the schemes incorporated into the IDO - and their accompanying EC grants - are not new at all, but simply existing plans rolled up into a new category. It is unlikely, for example, that Birmingham's middle ring road would never be completed, or that the NEC extension would be abandoned, were it not for the IDO.

The EC is not in any case proposing to ship out £203m in cash to Birmingham tomorrow. The figure is a maximum sum which the European Commission has agreed in principle to make available over the next five years, and the actual amounts will still have to be decided on a case-by-case basis. Some £44m of the £203m will be in the form of loans, not grants, and may not necessarily carry better terms than those available in the UK.

To the cynic, then, the main beneficiary of the creation of the IDO is the network of bureaucracy stretching from Birmingham to Brussels via Whitehall rather than Birmingham itself. But that may be too harsh a verdict at the very least the plan gives the city an unprecedented degree of certainty about the amount of EC aid it can expect over the next five years and has enabled it to draw up an enviable strategy for regeneration.

The communications programme will provide for new roads in inner city areas of Aston and Nechells, the completion of the middle ring road, the "sinking" below surface level of part of the inner ring road, improvements to the city's New Street railway station and a feasibility study into the proposed Midland Metro rapid transit railway.

Problems in utility regulations outlined

BY MAX WILKINSON, RESOURCES EDITOR

REGULATING the big privatised utilities will prove more difficult and more complex than many have expected, say two leading economists in a paper published yesterday.

Dr Dieter Helm and Professor George Yarrow say the apparent simplicity of the Government's formula for limiting price increases is "largely illusory".

Their paper, which regulatory bodies will eventually be obliged to appraise the industry under their control in as much detail as occurs in the US.

When British Telecom was privatised in 1984 the Government established a formula which subtracts X from the retail price index to limit future price increases. X was given the value of 3, so BT's maximum price rises must be 3 percentage points less than the rate of inflation in any year.

A similar formula was applied to British Gas. The electricity industry is expected to be regulated in the same way after privatisation.

The idea was to eliminate many of the complexities of US regulation. US prices are set to provide utilities with a guaranteed rate of return on capital. This requires regulators to make a detailed appraisal of "reasonable" costs and of "prudent" investments. The resulting arguments often lead to protracted court hearings.

In the latest issue of the Oxford Review of Economic Policy, Helm and Yarrow say it is wrong to believe that the British system of regulation differs fundamentally from that in the US. "Nearly all operational schemes for regulating utilities rest on one or other form of price control," they say.

They point out that the "X" factor in the price index minus X formula will have to be reset periodically and that this must be done in relation to the costs, profit and investment of the utility.

The regulators will also need to take account of the quality of service provided.

May Retail sales pick up amid caution over future

BY RALPH ATKINS

BRITAIN'S retail sales picked up in May but there is some caution about future months, according to the Confederation of British Industry/Financial Times distributive trade survey published yesterday.

The strong rise in sales last month - which was only slightly below retailers' expectations - followed a disappointing level of sales in April. Retailers, however, expect sales growth to slow in June.

The survey shows that of the 244 retailers questioned, 66 per cent said sales were higher in May than the same month year before and 9 per cent reported a fall.

The balance of those reporting an increase, less those noting a fall, was +57 per cent. That compared with an exceptionally low balance of +31 per cent in April and +40 per cent in March.

Mr Nigel Whitaker, chairman of the survey panel, said the survey pointed to a steadier rate of growth in June compared with the steep rises reported in the autumn. Retail sales growth in the past year has been fuelled largely by strong growth in real earnings. Fat cuts announced in the budget are expected to increase sales further in coming months.

Mr Whitaker said, however, that possible rises in mortgage rates following recent rises in base interest rates were "a reason for caution".

He said retailers were becoming more realistic in forming expectations about future sales. They recognised a lot of extra retailing space is coming on stream - increasing competitive pressures - and that costs are rising.

Competitive pressures are still strong in the retail sector and this is reflected in a slowdown in the rate of price increases, which is expected to continue," he said.

In May, retailers reported that imports as a proportion of deliveries was growing faster than when the question was last asked in February. A balance of +7 per cent said import penetration in May was higher than a year before compared with +5 per cent in February.

However, there was a slowdown in the rate of increase of selling prices.

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THE PROPERTY MARKET

The London office market moves West

By William Cochrane

"THE CITY MARKET is nearly dead, long live Central London!" Property men, past masters at anticipating the positive, are getting the adrenalin going again. There is, apparently, a possibility of top West End office rents overtaking those in an oversupplied City of London.

These are bearish prospects for the City. Demand for office property in the Square Mile has not suffered much in the aftermath of last October's stock market crash, although brokers James Capel have decided not to acquire phase 7 of Broadgate and there is also some evidence of increasing volumes of space being sublet by major occupiers. But supply is rising and by the end of April, according to agents Debenham Tewson & Chinnocks, the supply of City office property had topped 2m sq ft, almost double the 1987 average of 1.2m sq ft.

In conjunction with that, trading volume remains stubbornly low on the London Stock Exchange and observers such as Geoff Marsh's APR feel that this will affect the space requirements of occupiers generally linked with City offices. Big space users who are less affected, they say, such as solicitors and

accountants, may also feel less circumscribed about location.

So the property industry is approaching mid-summer's day with the focus squarely on the West End, Holborn and Covent Garden markets. In mid-May it was rumoured that Saatchi & Saatchi would take Legal & General's Landsdowne House development, 150,000 of new space in the coveted Berkeley Square location, for £82.50 a square foot; for the record, the top rumour in the City has been £67, for 64 Cornhill.

New space on this scale is extremely rare in the West End. Old space must be less so, for Saatchi director Michael Dobbs says that the company has looked at 40 potential headquarters already, and that it has yet to make a decision on one of them.

However, for the new generation of big space occupiers, the right space at the right price is going to be hard to find south of Oxford Street; and Stuart Lipton of Stanhope thinks he could happily let the 7½m sq ft of office space planned for the Kings Cross redevelopment to large space users like accountancy firms, which will not want to pay inflated West End, or City of Lon-

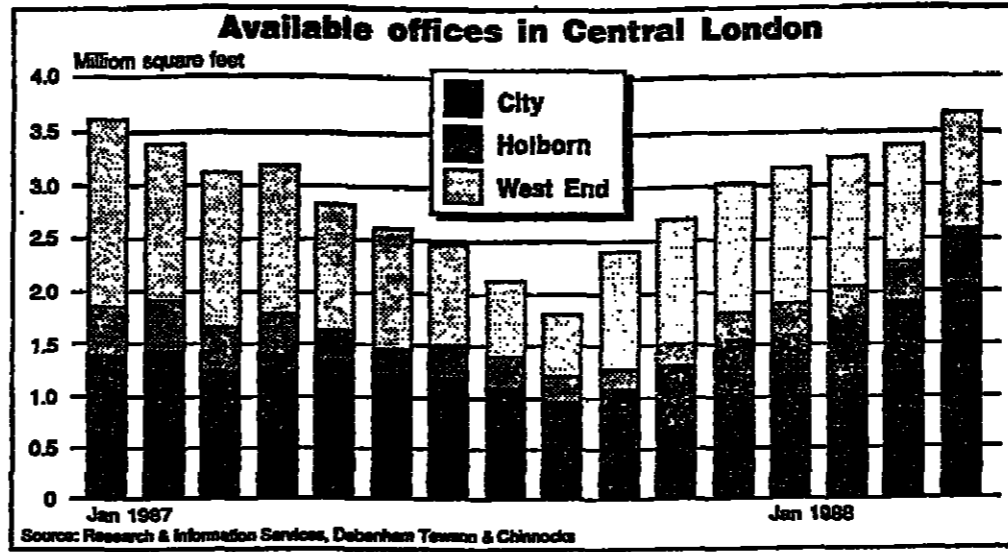
don levels.

This week, the spotlight widened to take in Holborn and Covent Garden. Great Portland Estates, chaired by Richard Peskin and converted in recent years from takeover target to performance stock, saw its Holborn and Covent Garden properties rise by 55 per cent in value in the year to March 31 last. Great Portland's West End and Mayfair properties, however, ran a close second with a 52 per cent gain.

The shortage of supply is likely to be exacerbated by Westminster Council's policy of returning properties to residential use. These include Brook House, Park Lane, headquarters of MEPC, Britain's second biggest property company, which has tried and failed to get continued office use for the building with an abortive appeal to Environment Secretary Nicholas Ridley.

About 100 mansions in Mayfair were given temporary office permission after the war to help bombed-out businesses. Westminster has been insistent that they would revert to residential when those permissions ran out in 1990.

Debenham Tewson associate Andy Allen acted for one of the



main landlords, the BP Pension Fund and its Ropemaker Estate. He negotiated a deal whereby only a proportion of its space, which is on 30 acres of Mayfair and mostly to the west of Berkeley Square, will revert. The firm's analysts, research boss Peter Evans and his colleague Desmond Jarrett, think that if a line were drawn through that deal for the other landlords, most importantly the Duke of Westminster's Grosvenor Estate, then perhaps ¼m sq ft of prime office space would now be at serious risk.

This is not a lot of space, they say, calculating that it represents three months' take-up in the West End sector. However, marginal demand affects rents in a tight market and existing tenants

must be getting seriously concerned about any upcoming lease renewal negotiations. West End rents have climbed from about £35 in the past 18 months; and, Landsdowne House apart, there has been talk of rents of £80 or more in Berkeley Square House, which is refurbished space rather than new.

Philip Fenwick Elliott may be able to put a mind or two at rest, or, at least, to offer tenants a way to fight their cases. His fancy, and that of his clients, the long established advertising agency J Walter Thompson, has been taken by the Saatchi affair. Their interest is heightened, he says, by the fact that he has just finished negotiating, for JWT, a five-yearly rent review for its

headquarters of long standing at 40 Berkeley Square at - £25.50 a foot. And the landlord, Norwich Union, is no slouch in this game.

The secret, he says, is that JWT is on a fully self-repairing lease. The rent review negotiations, therefore, did not include the benefit of JWT's own improvements to the premises over the years.

"There is a very interesting relationship between reviewed rents and the new lettings market," says Mr Fenwick Elliott, clearly choosing his words with care. "The number of new letting deals done in the West End has been so few that it can be difficult to persuade tenants that their rents have been correctly and fairly based."

The rise of Rosehaugh

ROSEHAUGH, a kingpin in Central London office development and a leader in the modern wave of development-rich property companies, has acquired its own research arm by taking a majority holding in Applied Property Research. APR is a privately-owned and highly regarded consultancy and database operation set up in 1984 by Geoff Marsh, a former Jones Lang Wootton researcher.

Mr Jonathan Hallam, a director of Rosehaugh, said this week that the company set great store by the ability to gather and evaluate information.

Rosehaugh, with its partner Stanhope Properties, has been a prime mover in the 12th Broadgate development at Liverpool Street Station in the City of London, and the Rosehaugh Stanhope joint venture has had the twin coups of selection for the £300m Royal Docks project in London's East End and the 26th King's Cross redevelopment.

With APR, it has now acquired one of the prime sources of information on the Central London office market - and, if Mr Marsh has his way, several others.

Geoff Marsh set up CLOE, Central London Office Research, operation, for chartered surveyors Jones Lang Wootton, as well as doing original decentralisation work for the firm. He left

JLW in 1984 to set up APR which, he said yesterday, would have had to slow down its rate of growth considerably if it had continued to go it alone.

Since 1984, the Central London development market has boomed, fuelled by advances in information technology and the City of London's Big Bang. It has also changed character considerably, particularly since the stock market crash last October, and APR might need the Rosehaugh connection in future to get the quality of information it needs.

"We are only 2 or 3 researchers strong at APR - and we are doing, not managing," said Mr Marsh. "We have left he added, "that we needed to expand the database geographically. On top of that there is only so much you can do as an outsider in the property business."

He had several years to acquire the business, he said. Rosehaugh was because it was "very straightforwardly positive" and because it has a commitment to detail and to quality.

His verdict on Central London? A report last month from APR saw the City fringe as Docklands as vulnerable to oversupply; but, it said, "the West End, with its highly diverse occupier base and very limited supply pipeline, looks likely to remain buoyant."

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FINANCIAL TIMES SURVEY



Better infrastructure, particularly roads, Stansted airport's expansion and EC trade are bringing

higher growth and prosperity to Essex. But, reports Richard Evans, the county wants to ensure the pressures of growth do not destroy its still excellent quality of life

A precarious balancing act

ESSEX IS a county with a problem that many others will envy. It is the problem of success. For decades the county seemed to be left behind in the strides made by areas to the west, north and south of London following the building of motorways and the launching of modern high technology industries. The east was bypassed.

All that is now changing fast and Essex has to take account of the changes and decide how it should cope with the pressures that success brings. The fundamental problem is how to perform a precarious balancing act, to match growth and prosperity on the one hand against preservation of the county's still excellent quality of life.

Mr Robert Adcock, Essex County Council's chief executive, sees big advantages in coming late into the field. He is anxious that Essex should learn from the experiences of counties like Berkshire, Hertfordshire, Hampshire and Surrey where development has rushed ahead and some mistakes inevitably made.

"We must ensure that the county retains its unique character while attracting new industries and more employment," he says.

The reasons for the county's dramatic change of circumstance are many and varied, but the three key developments have been vastly improved infrastructure, particularly roads, the development of Stansted as London's third airport, and the switch in port activity from Britain's west coast to the east to take account of increasing trade with the European Community.

These three, with others like the regeneration of London's docklands, has brought Essex to a series of crossroads involving decisions on how it should develop over the next decade and beyond.

The South East region as a whole has shown rapid growth in recent years, but the fastest growth of all has been in East Anglia. Essex occupies the pivotal position between Greater London and this area of particularly buoyant economic activity.

It is a strategic position of the greatest significance and the economic pressures on the area show every sign of growing as Greater London continues to decentralise employment and the UK's orientation towards Europe grows steadily.

It is the rapidly improving communications that have provided the key to the county's fac-



Holidaymakers setting out for a stroll on one of Essex's most famous landmarks, Southend pier - the longest pier in the world

ESSEX

times during a period when links with Europe have been of paramount importance.

Essex has become the gateway to Europe, and its share of central government road funds has risen dramatically in recent years. Five years ago it was in 15th place among the 39 shire counties; last year it was top of the league table. Central government transport planners, are giving Essex a very high priority for future growth.

The M11, carving up from near London's docklands to Cam-

bridge, has opened up the west of the county. But it is the M25, London's orbital motorway, that has profoundly changed many areas that might otherwise have remained unattractive to potential developers and employers. It has transformed the recession hit areas on the north bank of the Thames like Grays-Thurrock and linked the whole of Essex with the national motorway network.

Five improved roads cross the county to give excellent communications. Apart from the M11, the A12 now virtually of motor-

way standard links the London borders with East Anglia and bypasses Chelmsford, the county town.

In the south the A13 has been realigned and upgraded to near motorway standard to improve access to the Dartford tunnel and Tilbury docks, and South Essex is linked with London by the A127 dual carriageway.

Other main routes are the A130 connecting South Essex with Chelmsford and the M11, and the cross country A130 which links

Harwich, Colchester, Braintree and Stansted Airport to the M11 and routes to the industrial Midlands and the North. This route is one of the keys to future economic development and plans have been improved to make it all dual carriageway.

Nor have all the regional transport improvements been restricted to major roads. In recent years substantial improvements have been made to British Rail Eastern Network Services by electrifying lines to Colchester, Cambridge and Norwich and by

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improving the quality and frequency of the services.

Road and rail routes have played a significant role in the development of ports at Harwich and Tilbury. Containerisation, pioneered in the 1960's, has given a dramatic boost to Harwich and Parkeston and in the last 20 years Parkeston has experienced a great expansion in car, passenger and container traffic to Europe.

One major problem as well as a challenge is the development of Stansted's county's third airport. The county was opposed to such substantial growth on environmental grounds but its objections were overruled by the Government.

Mr Peter Milton, the County's planning officer, said every effort is now being made to ensure the airport is a commercial success but not a social and environmental disaster.

The plan is for Stansted, just off the M11 and near the border with Hertfordshire, to handle around 8m passengers a year at the completion of its first phase of development in the early 1990's. It will ultimately rival Gatwick in size.

The implications for the local economy are vast and the county plan is to disperse the additional population as much as possible to Harlow, Dunmow and to Braintree as well as Bishop's Cleeve and across the county boundary into Hertfordshire. Top priority is to preserve the character of the Essex villages.

A worry is that the construction and then the servicing of Stansted will soak up too much of what is already a tight labour market. Mr Leon Grice, chairman of the Corporation of British Industry's Essex branch, fears that the high wages will unbalance the local labour market and make skilled labour particularly difficult to find and to keep.

Business in parts of the county is now hungry for labour after years in which the unemployment rate in Essex was significantly higher than in other parts of the South East. The county grew rapidly in 30 years from a population of just 800,000 in the early 1950's to its present total of over 1.5m, but jobs did not keep pace.

Unemployment rates have now come down from 12 per cent three years ago, which was well above the regional average, to around 7 per cent, and the fall has been faster than in other parts of the South East.

The shortage of skilled labour is acute in areas like Chelmsford and Colchester where some high technology companies are based. With housing expensive and in short supply, Essex is in some ways already a victim of its own success.

So far the county has not succeeded in attracting high technology companies on anything like the scale of Berkshire, Hertfordshire or Cambridge but nevertheless the development of high tech industries is seen as a key to the future, and the county's first technology park has been opened at Chelmsford.

It aims to attract companies in electronics, precision engineering, pharmaceuticals and bio-chemistry to a town where the Marconi company, now part of GEC, made some of the earliest experiments in radio. The GEC-Marconi headquarters is still in Chelmsford.

To the north east at Colchester, the University of Essex has overcome its turbulent reputation of the 1960's and is now regarded as one of the most effective links between the academic and research world and industry. A decision is expected soon on the setting up of a science park on a 14 acre site on the University campus.

This would act as a focal point to attract the type of high growth, high tech company that now favours Cambridge and the M4 corridor.

Two academics from Reading University, Michael Broeheny and Douglas Hart recently conducted a study for Colchester Borough Council on how it should plan for the future. They concluded that the designation of a well thought out science park could itself cause growth in high technology to take place, as has happened at Cambridge.

There are in addition several initiatives in Essex to improve links between higher education and industry, and the County Council has set up a successful Business Centre to help small and new businesses develop.

Essex is in an enviable position between the great metropolis of London and the booming region of East Anglia. It has already seen rapid changes affecting every aspect of its economy and it has arguably the highest growth potential of any county in the UK. The next few years will show whether it is able to maintain its unique and complex character as well as its great environmental advantages.



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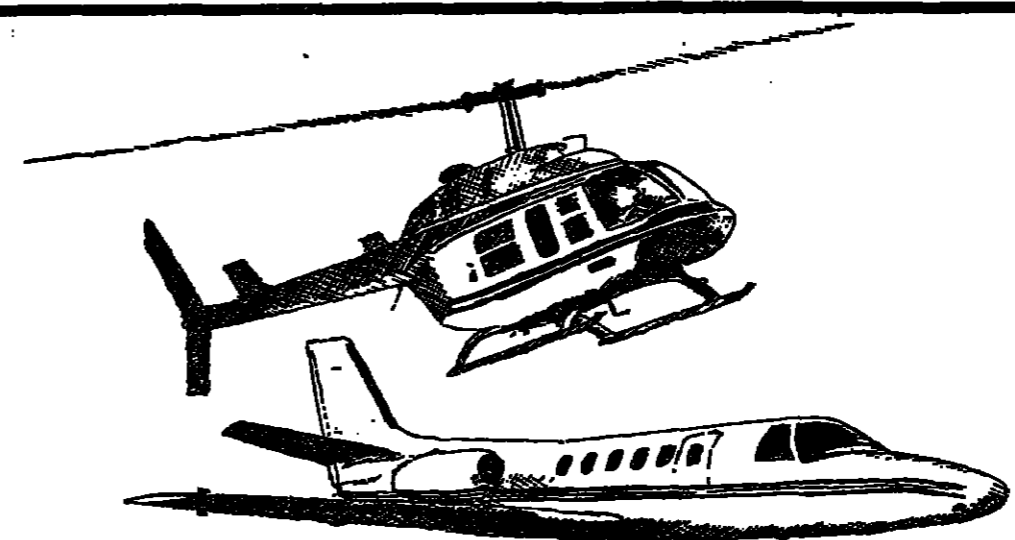
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ESSEX 2

The county's economy is on course for a decade of record growth

No longer the poor relation

THE 1980s are set to be a decade of record economic growth for Essex, after years of being considered the poor relation of the Home Counties.

Since the UK economy pulled out of recession, investment capital has been pouring into the county. The main reasons why Essex has been attracting so much private investment are the completion of the M25 Orbital Motorway and the M11 motorway from London to Cambridge, the decision to develop Stansted as London's third airport, and the remarkable growth of the East coast ports, with their direct links into Europe. The absence of sophisticated transport and communications links that previously held back economic development have been corrected.

Manufacturing has remained more important to the economy in Essex than in most other counties in the South East, despite the severe impact of the recession on industry along the Thames. Over a quarter of the county's 530,000 work force are employed in industry or commerce. Engineering is particularly strong, with electrical and electronic engineering employing 20 per cent of those working in manufacturing industry, and mechanical engineering 16 per cent.

Other industries well represented are paper, printing and publishing, food and drink,

vehicles and chemicals. Although the recession hit some industries like cement hard, the county has a low proportion of declining industries, like metal manufacturing and textiles.

Apart from the county council, Ford is the county's biggest employer, even though its largest plant, at Dagenham, is now in Greater London and outside the county boundary. It still has many plants in Essex, though, including Basildon, the research and engineering centre at Dunton and the administration centre for Ford of Britain and Ford of Europe at Warley.

Other major employers are Shell, Mobil and Texaco in a flourishing petrochemicals sector and GEC-Marconi, STC and Plessey spear-heading an increasingly significant high technology presence.

Service industries have also thrived because of the improvement in communications; Essex has been one of the main beneficiaries of the relocation of staff from central London.

Access, the credit card company, has its headquarters in Clacton and a second centre has been set up at Basildon to help handle future business growth. Royal London Mutual Insurance is one of a number of financial services companies that have moved to Colchester. But it is probably the smaller

and newer companies that are making the biggest impact on the economy of the county, according to Mr Michael Large, chairman of the Essex branch of the Institute of Directors. "There has been a remarkable upsurge of small businesses recently and this is helping to make the county boom," he says.

Until recently, unemployment in Essex was higher than in the rest of the South East, but this has started to change. Between January and 1987 and March this year, the number of unemployed dropped from 61,000 to 45,000, a fall of 37 per cent, a proportionately bigger fall than elsewhere in the South East.

But one barrier to reducing levels of unemployment further is the shortage of certain skills, according to Mr Leon Grice, chairman of the Confederation of British Industry's Essex group. "The shortage of skills is becoming significant and it sometimes takes weeks to fill a vacancy," he says.

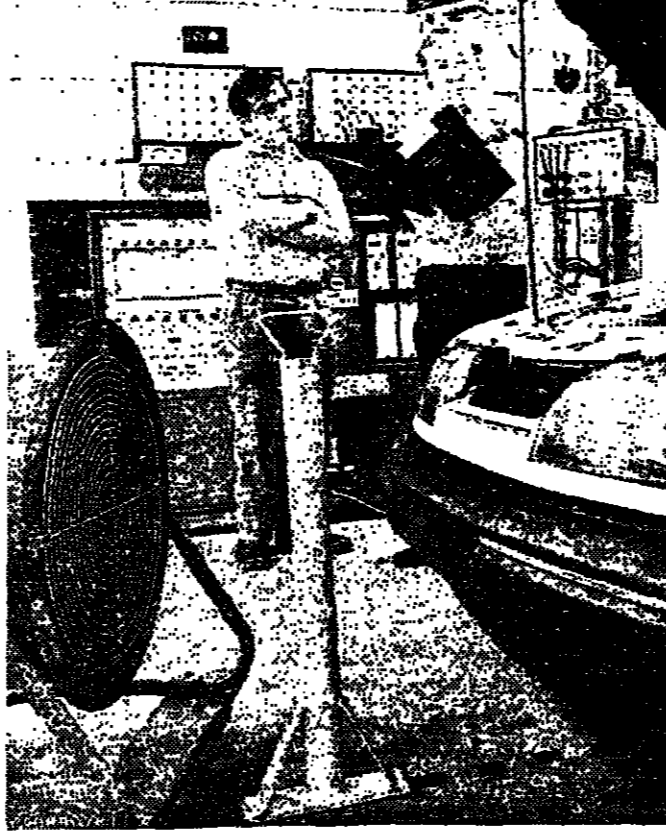
Essex can be divided economically into four zones: the heavily industrialised corridor along the north bank of the Thames, the centre of the county represented by thriving towns like Harlow, Braintree, Colchester and Chelmsford, the county town; the more rural north, and the coast with the thriving ports of Harwich and Parkeston and resorts like Southend and Clacton.

It is the industrial heartland bordering the Thames that has seen the biggest changes in recent years, first with the decline of traditional industries and the sharp impact of the recession and more recently with the development of modern industrial estates.

Right in the centre of development is Thurrock which has seen a spectacular resurgence in the last two years, largely because of completion of the M25. It has been labelled "Britain's busiest borough".

Service industries include a new town of 5,000 homes, Chafford Hundred, being built on 600 acres of disused mineral workings, Thurrock Bridge which will carry the southbound flow of the M25 over to Kent, and the Lakeside regional shopping centre which will open in 1990 with over 1.1m sq ft of retail space.

Over 800 acres of industrial land is available for immediate development in Essex, according to the county council's 1988 survey, and by far the largest



Testing at the Ford Emissions Laboratory at Dunton: Ford is the county's largest industrial employer

amount, nearly 250 acres, is in Thurrock.

Basildon, just a few minutes away from the M25, has over 100 acres ready for development. A further 700 acres throughout the county is likely to become available later in the year.

Basildon vies with Thurrock in claiming to be the fastest-growing town in Essex and, apart from the established presence of companies like Ford, GEC Avionics, IFT and Access, offices have recently been let to the Commercial Union Insurance Group.

To the north lies the central belt of the county which was relatively unaffected by the recession, but where the pressures of development are now becoming acute. The area, centred on Chelmsford and Colchester, is booming.

Chelmsford, the county town that has become too small for a county population of one and a half million, is an important engineering and technological centre. It is headquarters for the GEC

Marconi electronics group and another GEC company, the English Electric Valve Company, is also a major employer.

Colchester, said to be the oldest recorded town in Britain, is a major garrison centre and the home of the University of Essex at Wivenhoe Park. The historic town has attracted major office employers like Lloyd's of London Press, Royal London Mutual Insurance and Phillips Business Systems.

To the north, the county is still dominated by agriculture. The farms of Essex with their rolling wheatlands and sugar beet fields are among the most productive in the country, but the agricultural surpluses in Europe have caused problems of over-production and the search for alternative crops.

Tourism is something of a problem for the coastal resorts of the county. It has traditionally been the mainstay of the local economy, particularly for Southend, Clacton and Frinton, but patterns have changed. The days when the resorts of Essex were the most popular holiday destinations for Londoners have long gone, and the emphasis has changed to day trips and short stays.

Both Southend and Clacton have made vigorous attempts to extend their economic base by attracting service companies and light industry, and employment elsewhere on the coast has been helped by the trading boom in the ports of Harwich and Parkeston and at Tilbury.

Richard Evans

Profile: Access

A business which has mushroomed

FOR MANY of us, the Access card is all too flexible a friend. In a shop or a restaurant, it kindly allows the indigent consumer to buy beyond his or her means with only a frisson of guilt.

But, some weeks later, Access gets its own back with the statement, chronicling each purchase made in a moment of weakness, the brown envelope, the mountain of unwanted promotional literature and the gift, to you as an especially valued customer, of an even higher credit limit.

Those not sent into shock by the size of the bill may observe that the envelope, and the cheque that it must enclose, are to be sent to Southend-on-Sea, where Access has made its home since it was founded in 1972.

The Southend skyline is dominated by the skyscrapers that house the 4,500 employees whose job it is not only to open and process the 300m items of post received each year, but also to deal with the 27m calls received annually from retailers requesting authorisation for customer transactions.

Access, Southend's biggest employer, is the joint credit card service of Lloyds, Midland, National Westminster Banks, the Royal Bank of Scotland, Clydesdale, Northern and Ulster Banks, National Irish Bank and Bank of Ireland.

Each of these banks is responsible for recruiting its own cardholders and for financing the balances outstanding on cardholder accounts. Access - known more formally as the

Joint Credit Card Company, or JCCC - provides the central services of marketing, promotion, advertising, authorisation and computing.

When first launched, five years after Barclays pioneered its Barclaycard under the aegis of the Visa organisation, Access employed only 400-500 staff and the card itself was accepted in just 70,000 retail outlets.

According to Mr A Lee, Access chief executive, Southend was chosen as headquarters for the business for the following reasons: its proximity to London; the proliferation of suitable accommodation nearby and the existence of a pool of clerical workers in the area.

The local telephone exchange and post office were also geared up to cope with the voluminous quantity of phone-calls and mail that Access would attract.

Over the sixteen years, the business has mushroomed. Some 300,000 UK retailers accept the card. Turnover - in terms of the total liabilities incurred by cardholders - was £2.3bn in 1987, having grown at an annual rate of 30 per cent over recent years. There are now some 12m cardholders.

The organisation makes money not by charging interest to the cardholders - that is the prerogative of the member banks - but by billing retailers for using the service and allowing direct mail companies to "ride pillion" in the monthly statements to customers.

Access is optimistic that the

spectacular rate of growth in its business will continue, citing the fact that in the UK, only 1 in 3 adults possesses a credit card, compared to 9 in 10 in the US.

Yet it will not be easy. Access, with around 49 per cent of the UK market, is bound to face increasing competition, not least from Visa, with around 13m cardholders and 51 per cent of the UK. But also from new entrants to the market, and on the basis of the interest rate charged to cardholders.

On the first count, building societies such as the Abbey National and the Halifax have signed up with Visa and are poised to market their own cards to their loyal customers. Even the trade union movement is now involved, with the G and B general union set to introduce a card, to its members.

In the years since Access was launched, there have only been a dozen changes in the rate of interest charged to customers. This might change after the Monopolies and Mergers Commission, currently investigating the issue, reports its findings.

The rate charged by a majority of the banks is a straight 12 per cent per month, which works out at an annual percentage rate of 23.1 per cent. It is up to the individual banks to change the rate. Save & Prosper and Chase Manhattan have already dropped their charges in what may prove to be the start of a price war.

David Waller



The pretty village of Finchfield: pressures of development in parts of rural Essex are now acute

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Profile: Hi-Tec

Market runner

NEXT TUESDAY the Southend-based company, Hi-Tec will join the stock-market. Amid all the panoply of an offer for sale, the running shoes company is likely to secure a market capitalisation of more than £50m.

This is all a far cry from the company's origins thirteen years ago in Mr Fritz Van Westel's shoe house in Shoeburyness. Then aged 32, the present chairman started up with a neighbour working as his accountant and two lads from across the road working as packers.

Now, the company sells more sports shoes in the UK than any of its rivals, commanding just under a quarter of the market. It sells shoes in 200 different styles and exports to 45 countries. Its squash shoe alone has sold more than 5m pairs and is worn by champions. Turnover has risen rapidly to boot, from £8m in 1982 to £55m in the last financial year.

In its earliest days, Hi-Tec was known as Inter, a separate UK company named after Inter in the Netherlands. The Dutch company was owned by a friend of the chairman who subsequently decided to sell out.

That was in 1982 and posed a major problem for Mr Van Westel. His erstwhile friend retained the right to the Inter name in Taiwan, where most of the shoes were manufactured and was in a position to charge a 3 per cent royalty on every pair of shoes sold in the UK.

The chairman's response was to relaunch as Hi-Tec, and he did so with such success that his endeavours have inspired a case study at Harvard Business School. The first step was to send out the same shoes as normal but with the label changed from Inter to Hi-Tec by Inter.

As brand recognition devel-

oped, the "by Inter" signature was dropped and within a year the metamorphosis was complete. At the same time, the company made moves to hoist itself up-market.

Helped by J. Walter Thompson, the advertising agency, Hi-Tec unleashed an assault on the market for running shoes. The aim was to repeat its success in the market for squash shoes, which Hi-Tec dominates with annual worldwide sales of more than 750,000.

The Silver Shadow, first introduced in 1981, was relaunched in the following year with the help of TV commercials and posters. The campaign won an award from the Institute of Marketing and acted as a catalyst for the company's sprint for growth.

"The secret of our success lies in our marketing," observes Mr Mario Aresti, finance director. "We have a powerful brand image backed up by advertising and sponsorship."

Colours and designs are changed frequently in line with the demands of ever more fashion conscious customers. This adds a further competitive edge to shoes which sell in the £35 to £40 price bracket.

In June last year, Hi-Tec moved its headquarters from Shoeburyness to a 75,000 square feet warehousing and office site near Southend airport.

Next week's flotation will furnish the company with cash to expand into other related areas such as sports accessories. The main thrust of expansion, however, will be in the US market, its ultimate aim being to become a world leader among sports footwear companies.

David Waller

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ESSEX 3

Kevin Brown, Transport Correspondent, explains how the county has benefitted from a shift in trade patterns

EC and container revolution boost ports growth

THE PORTS of Essex have benefited greatly over the last 15 years from the swing in British trade away from the Commonwealth and towards the continental European Community.

Essex is not alone in benefiting from this trend - the biggest gainer has probably been Felixstowe, just up the coast in Suffolk, and there has been a substantial increase in trade through more northerly ports such as Hull and Lymington.

The two main Essex ports have been far from left out of the spoils, however, and the authorities at both are planning major investment programmes in a bid to expand their market share still further.

The biggest port in the county is Tilbury, which handles around 6m tons of cargo every year. This represents the bulk of the non-oil traffic processed by the Port of London, which amounted to just over 10m tonnes in 1986, the last year for which official figures are available.

Tilbury has undergone spectacular growth in the last 20 years as London's upriver docks first declined and then virtually disappeared as a result of changes in cargo handling methods.

The result was that the centre of London's port activity moved eastwards to deep water facilities built at Tilbury to accommodate the new breed of container ships which was taking over from the general cargo vessels which had traded into London for centuries.

which operates a terminal within the port.

Tilbury has the largest forest products terminal in the UK, and one of the largest import/export grain facilities. It is also second only to Felixstowe as a container port.

Tilbury also houses the Port of London's international cruise terminal, which handles around 100 ships a year. The PLA has plans to improve its up-river cruise ship facilities, in order to attract more ships to moorings at Tower Bridge and Greenwich, but this is not expected to reduce business at Tilbury.

The PLA is, in the course of a 25m improvement programme at Tilbury, intending to extend cargo handling facilities and update equipment in order to

keep up in the race to attract shipping.

The other major Essex port is Harwich Freeport Quay, owned by Sealink Harbours, a division of the Bermuda-based Sea Containers Corporation.

Only 18 months ago, the future looked less than rosy for Harwich, following the withdrawal by British Rail of its Freightliner service to Zeebrugge, which was moved to Dover.

The loss of business followed a decline in container and roll-on roll-off traffic from 3.6m tonnes to 2.6m tonnes between 1985 and 1986, and was one of the reasons behind Sea Containers' decision to put the port up for sale - along with Heysham and Newhaven - during a financial crisis in the parent company.

In the event, talks between Sea Containers and Associated British Ports, the UK's biggest port operator, broke down over price, and all three ports were taken off the market.

Since then, Sea Containers has recovered its financial equilibrium, and Mr James Sherwood, the company's president, says the group intends to hang on to all its ports, including Harwich.

Like Tilbury, Harwich boasts good access to the UK motorway network, although local road access is less satisfactory. Sea Containers is talking to Essex County Council, the highway authority, about possible improvements.

A major expansion is likely within the next two years, assuming that parliamentary approval is given to a private Bill currently passing through the Lords.

The Bill provides for the development of the 350-acre Bathside Bay - an inlet of the River Stour located next to the existing dock facilities - which would double the size of the port.

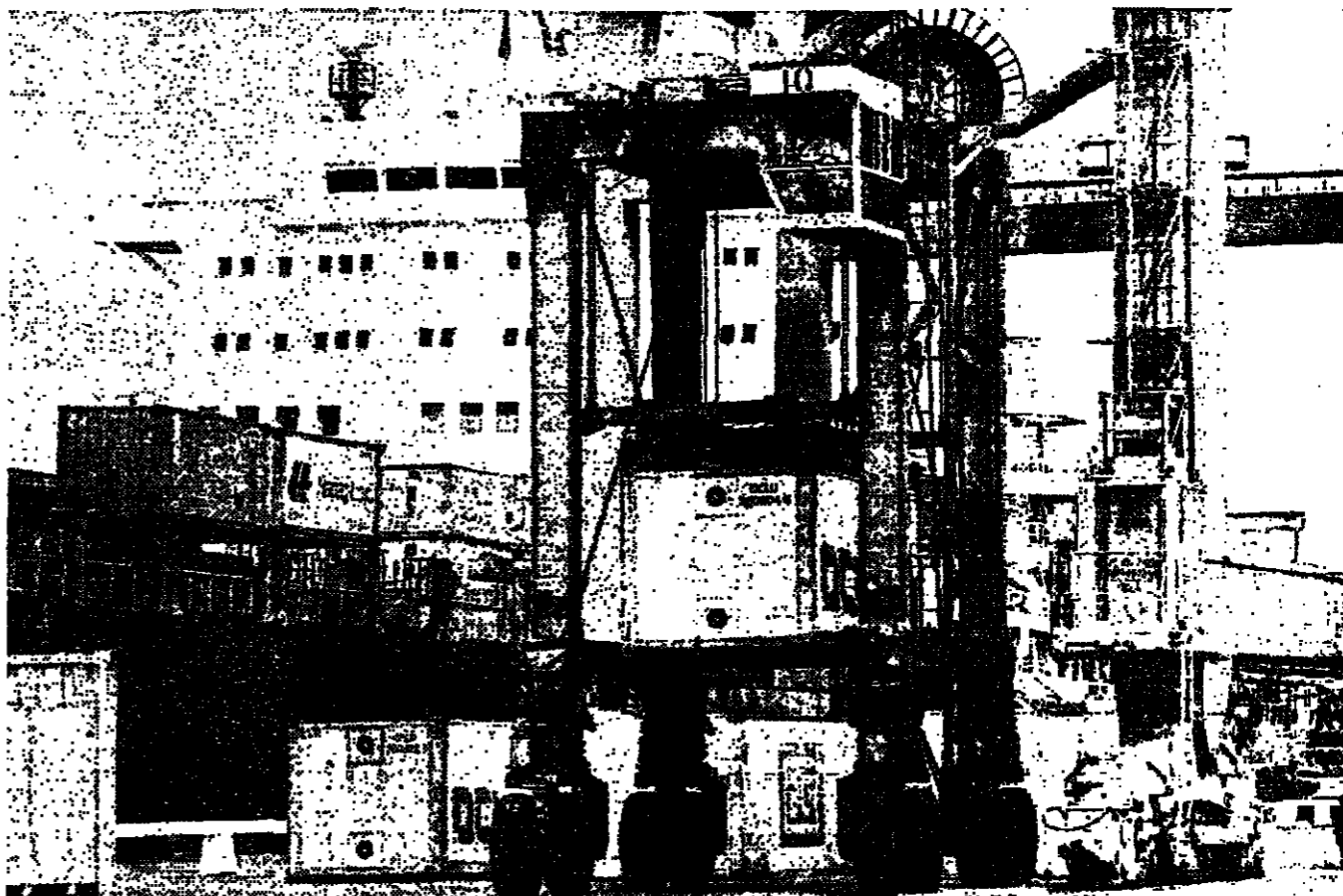
The scheme involves the construction of a new quay wall, and the reclamation of tidal mud flats to form a hard standing. Four deep-sea berths would be built with facilities for container roll on roll off and other deep sea ships, and 25 acres of container stacking.

Colchester, the other Essex port, is significantly smaller than its two local competitors, but has a substantial throughput of dry bulk commodities. The port was recently sold to ABF by the Dalgely group for 12m.

ESSEX PORTS - TRAFFIC STATISTICS, 1986

Port	tonnes*
TILBURY	
Dry bulk	1,700,000
Unfilled forest products	1,250,000
Containers (TEU)	375,000
All freight	6,000,000
HARWICH	
Passengers	2,011,000
Bulk (petroleum products + gas)	255,000
Unfilled forest products	26,818
Container + ro cargoes	2,630,000
Conventional traffic	9,000
All freight	2,894,000
COLCHESTER	
Liquid bulk shipped for sea dumping	45,000
Dry bulk	973,000
Unfilled forest products	145,000
Other seal-bulk	12,000
Conventional	30,000
All freight	1,145,000

*Source: Port Statistics (RPA/DaF), port publications and industry figures. *except containers and passengers



Unloading containers at Tilbury: the Essex port handles the bulk of the Port of London's non-oil cargo - some 6m tonnes a year

New business promotion

Partners of profit

ESSEX SEEKS to sell itself to businessmen as the county that offers the best communications and is on the doorstep of both the nation's capital and some of the most profitable markets in northern Europe. It is a powerful message that is becoming increasingly successful.

The carrot, apart from the communications, and the proximity to London, is the potential for growth over the past decade. The Home Counties, in particular, are beginning to boom. But to ensure the momentum is continued more new businesses to be attracted.

This is the task that has been taken up by a number of organisations in both the public and private sectors, headed by Essex County Council.

Since the early 1980s, the council has been actively encouraging economic growth, promoting Essex industry to protect existing jobs and supporting new developments to provide more.

An employment promotion unit was created in 1982 and, in liaison with local and national organisations, the unit ensures that the many advantages of Essex as a place to invest or relocate are made as widely known as possible.

Assistance to small firms is given by a sponsorship with local councils of the county's ten enterprise agencies. A typical example is at Epping Forest, where a 42 unit "seed bed" centre specifically designed for new and start-up businesses opened in February at Loughton.

The Chelmsford-based Essex Business Centre launched by the council and the Essex Institute of Higher Education in 1984 to provide a free counselling service and advice of all aspects of

business including marketing, finance, management, staff training and exporting. It organises seminars focussing on small firms and runs short courses in business management.

The Business Centre started with a staff of one, Mr Roy McLarty, who is still director, and it has since grown to employ 20. Although based in Chelmsford, the centre's remit covers all areas of the county from the rolling wheatfields near the Suffolk border to the regenerated

'Essex University fulfils a very special role. We see ourselves not as an institution set apart but as a vital element of the community and economic life around us'

industrial areas on the north bank of the Thames estuary.

Since individual counselling is the prime need of the small businessman, Mr McLarty has concentrated on this. "We find that people react best to individual treatment and this sort of counselling has been our most successful activity," he said. Around 5,000 businessmen have been helped.

The service covers finance, marketing, premises, supplies and computing and there is also assistance in exporting covering market planning, documentation, the finding of agents and transport.

In 1986, the centre's service was expanded to help young entrepreneurs with the launching of the Essex Young Enterprise Centre at Basildon. Work units of between 150 and 300 sq ft are provided at low cost and an easy in/out agreement. Since

opening, the centre's 30 units have been fully utilised and a second centre opened at Clacton earlier this year.

The Young Enterprise project, which helps people aged 18 to 26 to establish themselves in business, has been backed by a range of local employers including Ford Motor, British Telecom, Marconi Research and Marconi Radar.

Broader support for many of the county's employers is given by the University of Essex, based on a parkland campus above Col-

chester. In the past decade the university has helped over 300 companies ranging from one man businesses to multinational corporations.

Mr Lawrie Williamson, the university's director of industrial liaison, believes Essex fulfils a very special role. "We are a university with a difference. That's because we see ourselves not as an institution set apart but as a vital element of the community and economic life around us. Nothing emphasises this better than our partnership with industry."

University scientists and engineers have many links with industry. They are helping to apply new technology to traditional industry, will arrange feasibility studies for new products and processes, collaborate on long-term design and development and provide chemical and biological analysis, consultancy services and training.

Four self-supporting industrial units - biology, electronics, physics and noise and vibration cancellation - as well as staff in academic departments, such as chemistry, computer science and economics, are all available to help.

"In many cases, new products and techniques developed by a specialist industrial groups have enabled our customers to take a competitive lead in their markets, to increase efficiency and productivity, or to solve seemingly intractable environmental problems," says Mr Williamson.

The range of services offered varies from one group to another, but generally includes problem-solving, analysis, feasibility studies for new products and consultancy and training. Customers can also buy time for direct use of a department's analytical instruments.

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ESSEX 4

Commercial property

The pressures pile up

DEVELOPMENT PRESSURES are piling in on Essex as the property industry seeks to take advantage of the swing in the national economy to the east of the country and of the improvement in communications.

The completion of the north east segment of the M25 London orbital motorway and its junction with the M11, running from east London through west Essex to Cambridge, has coincided with the gradual shift of property attention to the opportunities afforded by the Eurotunnel.

Even 15 months ago a poll carried out among property investing institutions by Market Research Enterprises for Derrick, Wade & Waters, chartered surveyors, found that over a third of the sample considered that the M11 corridor offered the greatest potential for rental growth over the next 10 years.

Essex seems set for the type of development that for the last decade has characterised the areas to the west and south west of London. The expansion of Stansted Airport is likely to be attended by growth of the type that has taken place at Heathrow and Gatwick. Already demand for warehouse and distribution facilities in the county has increased. Shopping centres developments

have been proceeding apace in town centres like Romford and Chelmsford, through Trafalgar House Developments and Kings Head Meadow Properties respectively, while at Thurrock, planning consent exists for the only major out-of-town centre on the M25.

Thurrock, in fact, is a symbol of the development in the county. It is an area into which the planners have sought to steer development. Land is relatively plentiful. Capital and Counties will shortly start construction of the shopping centre, having bought out the Pearson interest in the joint venture. But there have been other transactions and plans announced reflecting the incipient property strength of the area.

Waterglade International recently bought 60 acres of land from RTZ Estates for £8.5m and plans to develop existing warehousing facilities to create the Waterglade International Industrial Park.



County hall, Chelmsford: office rents in the town still have some catching up to do

On a bigger scale, the landowners of 600 acres - Blue Circle Industries, Pearson and Pelham Homes - have pooled their holdings to develop Chelmsford Hundred new village. It will include 4,000 homes, community and leisure facilities and be constructed on hitherto derelict land.

Essex, indeed, faces the same pressure of demand for new housing as other counties in the

South East. The rising price of housing land was evident when, in April, it was disclosed that the Barking, Havering and Brentwood Health Authority had sold 27.35 acres of surplus land for £20.5m. The buyer was Heron Homes.

But the planners have shown that they are not prepared to meet this demand at the expense of the Green Belt which seeks to hold in check the spread of London.

This point received its most dramatic illustration when Mr Nicholas Ridley, the Environment Secretary, turned down the demand of Consortium Developments, grouping the country's biggest housebuilders, for consent to build Tillingham Hall, a new community in the county's Green Belt.

Sensitivities about the Green Belt have more recently led Mr Ridley to refuse permission for a

new racetrack, grandstand and car parking at Orsett, although last year he was prepared to grant consent. Procedural problems with a planning case which had appeared to be completed last year allowed the whole matter to be re-opened and Mr Ridley changed his mind.

These two cases show that property development in Essex will not be unfettered. But even with the existing stock there has been an increase in values. The latest survey of 50 centres throughout the county by Jones Lang Wootton, chartered surveyors, showed that last year office rents in Chelmsford rose by 12.5 per cent to 59 a square foot and that industrial rents rose by 22.8 per cent to £3.50. They will have climbed higher since then, in line with the general trend in the south east.

But this growth for offices is beneath the mean average for the centres surveyed. Looking at Chelmsford office rents for the period from 1979 to 1987, JLV found that they had risen slower than the rate of inflation.

In a particular way, this makes the point that property growth in Essex has some catching up to do. The relative cheapness, allied to the improvement in communications, is likely to intensify development pressures as companies look for accommodation that is less expensive than central London and the western and south western motorway corridors. There is much talk of the Phoenix rising in the east. Essex is part of that Phoenix.

Paul Cheselright

Demand outstrips supply

DEMAND FOR all types of commercial property in Essex continues to outstrip supply, according to a report given to the County Council by Mr Stuart Selfe, the county planner.

Mr Selfe said that the amount of vacant industrial and warehouse accommodation listed in the Essex Commercial Property Register had fallen to 1.9m sq ft from 2.7m sq ft at the end of 1986 and 5m sq ft in 1984.

Vacant property now accounts for only 1.8 per cent of the total stock of industrial and warehouse accommodation in the county.

Undeveloped industrial land totalled 1530 acres, of which

half could be developed immediately or is likely to become available before the end of September, Mr Selfe said.

On past building rates, Mr Selfe estimated that this supply of land should suffice for the next eight years. But he warned that 40 per cent of this land is held by companies for their own expansion, or committed by planning permission, or is not on the open market.

The percentage rises to more than 95 per cent in the Brentwood, Epping Forest and Chelmsford areas, Mr Selfe added.

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CHARTING THE progress of the great earth moving machines around a mile north of Stansted station, a tiny halt on the London to Cambridge railway line has become a diverting distraction for regular travellers seeking to relieve the monotony of the journey.

The work they are watching is the construction of a rail spur from the main railway line into Stansted Airport. The airport was chosen by the Government in June 1965 - following a series of bitter planning battles - as London's third airport.

The construction of the rail spur is just one of the series of major works, associated with the airport's expansion, which could radically alter the fabric of life in this part of rural England.

Stansted, long a small commercial airport mostly handling charter traffic, was built in 1962 as a military airfield for US bombers. The changes now underway will turn it into fully-fledged international airport handling up to 8m passengers a year by 1991. Two years ago the airport was handling around 500,000 passengers a year.

If the Government gives its permission - and many aviation experts believe it will be forced to do so by overcrowding at Gatwick and Heathrow airports - Stansted could be handling up to 15m passengers a year by the end of the century.

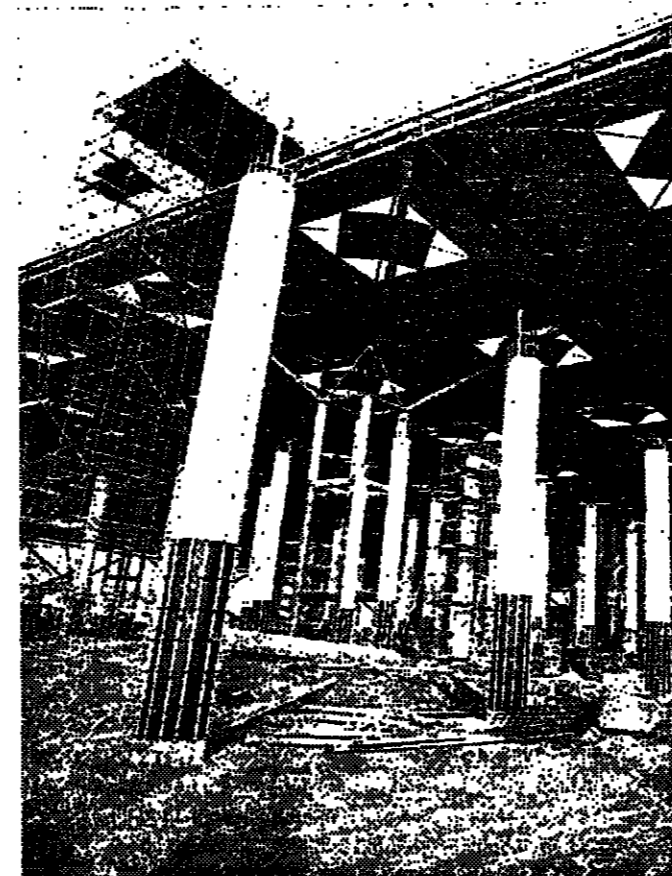
The growing pains could be severe. Stansted and the surrounding villages and towns along the borders of Essex, Cambridgeshire and Hertfordshire lie in the very heart of the countryside.

Experience of airport developments worldwide suggest that the nature of this area will change as the local population expands and industry and commerce are attracted to the areas around the airport - just as the Heathrow and Gatwick environs have grown and changed in character during three decades of commercial air travel.

Airports like Heathrow and Gatwick have become the modern day equivalents of the Victorian railways which acted as a catalyst for economic activity and bought prosperity to cities and towns along their routes.

Developers at Stansted are already eyeing covetously some of the great open fields which lie

Stansted airport expansion Major works ahead



The beginnings of Stansted's new international terminal

beyond the airport's 10,000 ft runway - it was lengthened in the 1950s to accommodate long-range nuclear bombers.

Housing demand in this part of East Anglia is already very high as a result, in particular, of the construction of the M11 and M25 motorways which have dramatically improved communications.

The electrification of the London to Cambridge railway line and the construction of a new

road bridge across the River Thames at Dartford will further improve communication still further and add to the region's attractiveness.

House prices in East Anglia are rising faster than any other region in the country as too many buyers chase too few homes for sale. The pressures are particularly acute in the Stansted area.

Major housing developments

proposed along the line of the M11 motorway include a new town of 3,000 homes at Wilburton, near Cambridge, which has been put forward by Consortium Developments, representing ten of Britain's biggest house builders.

More than a dozen separate proposals have now been made to develop a new town close to Cambridge. They include a plan by Erostin, property developers, which wants to build 3,000 homes at Chittering, north of Cambridge.

At least another three large scale developments are proposed within a 15 mile radius of the airport. These include: Stortford Park Farm a 1,500 home development proposed by Bovis and McAlpine Homes at Bishops Stortford; 1,200 homes proposed by Crest Homes between Stansted and Bishop's Stortford and 3,500 homes proposed by a consortium of Countryside Properties, Croudace and Wates at Harlow.

Further east at Braintree in Essex there are plans by Bovis to build a 1,000 home development at Marks Farm while Countryside has proposed a 1,800 home development called White Court West.

Many of the schemes are likely to be opposed by local authorities as Essex and Hertfordshire planners try to keep a lid on expansion in the rural areas of the two counties.

The authorities which opposed the development of Stansted as London's third airport say that 4,000 extra homes will have to be built in the next decade to accommodate the airport's expansion. They propose that about 3,000 of these be located in three towns: Bishop's Stortford, Harlow and Dunmow.

Local estate agents and builders say the local authorities estimates are far too low and do not take into account the more general growth in housing demand which has already occurred in the area following the construction of the M11 and M25.

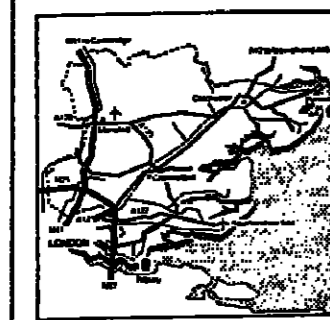
Moreover the Council's estimates are based on the airport handling no more than 8m passengers a year when many experts believe parliament will increase the airport's throughput up to the maximum of 15m passengers.

Andrew Taylor

If you need one good reason for coming to Essex, we'll give you six.

1. Unique location.

No other area of Britain enjoys such a unique position. On its western doorstep lies London. To the east and equally close are the rich markets of the EEC and Scandinavia.



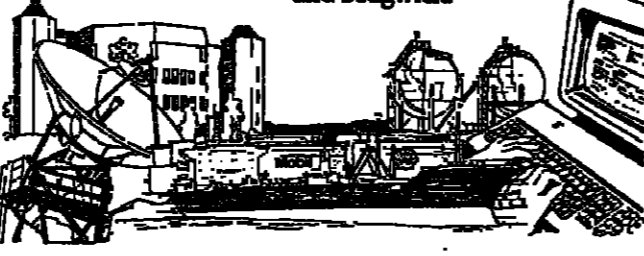
2. Excellent air, road, rail & sea links.

Essex has one of the best communications networks in Britain. Two international airports - Stansted and Southend. Two major ports - Harwich

and Tilbury. Excellent rail links. And easy access, via the M11 and M25, to all parts of Britain.

3. A diverse, thriving economy.

The county's economy is diverse - and growing fast. With petrochemical companies like Mobil, Shell and BP. Motor manufacturers Ford. Electronics and telecommunications specialists such as Amstrad, GEC Marconi, Philips, I.T.T., STC. And service industries like Access, Royal London Mutual, Lloyds of London Press and Sedgwick.



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TECHNOLOGY

IN AN AGE when most large commercial organisations are spending more on maintaining their existing computer systems than on building new ones, the pressure is on to look for the best deal when they do come to buy.

Companies with a large investment in information technology (IT) have to run fast just to stand still. Most organisations cope by putting pressure on their existing suppliers to offer discounts, usually playing off one against another.

But some of the more entrepreneurial heads of IT have found an answer to their expansion needs in the "back-door" companies that supply equipment transported from the US. Favourable exchange rates combined with lower US prices, where there are established brokers and leasing and maintenance companies.

Red Gallagher, UK general manager of Comdisco, a large computer broker in Europe and the US, says cross-border trading is by no means a new phenomenon. But he adds that in the last nine months trade has been very strong, as six figure savings can be made on large mainframe computers, paid for in the US.

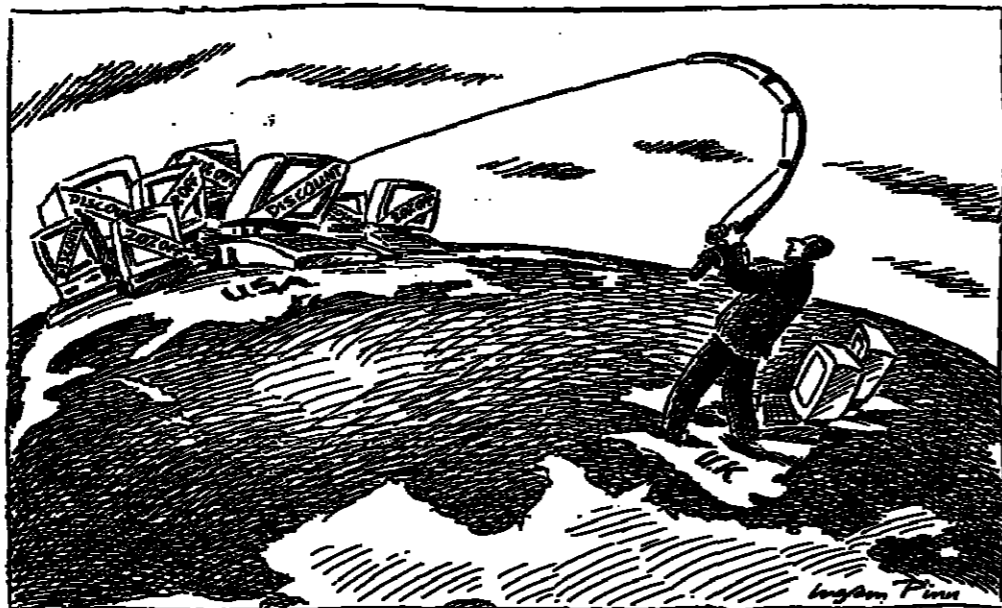
Gallagher warns that this could stop abruptly if the dollar rose significantly against the pound. But, at the moment, the list price for IBM mainframe computers in the US is 20 per cent cheaper than in the UK. Transport costs, import duty, conversion and installation all taken into account, that can still mean a saving of between 10 and 15 per cent.

Some of the third party leasing companies claim that, depending on the make and model of computer, some organisations have saved between 25 and 30 per cent.

Derek Lamb, UK managing director of Bell Atlantic Financial, the computer, leasing and broking arm of the US Bell operating company, says there are two main benefits.

The first is price. Three factors contribute to this: a lower purchase price; the favourable exchange rate and the tax advantages given to American companies when they buy computer hardware.

The second is faster delivery. The US has a larger market for computer equipment than Europe, which means there are



Fishing for bargains in a cheap dollar pool

Patricia Teban reports on the brisk trade in computers paid for in the US to take advantage of favourable exchange rates

more machines available. Lamb says most companies are too afraid of their local computer suppliers to take the plunge and look around for a better deal. "It is the multinational companies that are doing this because they do not get frightened by IBM."

But aside from the issue of boldness, there can be drawbacks to importation. The process may be subject to delays - transportation, conversion and installation times often run into eight or nine weeks. And if you do not buy locally you also lose your machine warranty from the manufacturer.

Many a wary computer manager will wag a finger and warn that the computer manufacturer will refuse to carry out maintenance if the computer is not converted to his specifications.

Dan O'Keefe is chairman of Enterprise Computers, which is widely used by leasing companies to convert IBM mainframes from the US standard of 220 volts and 60 hertz to 415 volts and 50 hertz for use in the UK. He dismisses fears and says: "IBM is not entirely enthusiastic about this practice. But it is international trade and there is not much they can do about it."

O'Keefe's company has converted 300 water-cooled mainframes in recent years, 40 of them in the last year, mainly IBM 3090 mainframes or smaller 3080 mainframes. His firm concentrates on machines large enough to need water cooling. "If you convert a 3090, that is not going to go into the local green-

grocer on the street corner, it is destined for a large commercial concern." Computer managers have had mixed experiences. Kenny Clements is systems development manager at London Transport Advertising. He asked for quotes from several IBM System 38 minicomputer suppliers before he decided to use the broking side of

Asystel to ship over a machine from the US. Clements says he paid \$2,000 for the US machine, getting 20 per cent off list price in the UK, and installation went smoothly. "From the time I placed the order, it was five weeks to installation." IBM was offering the same installation time and a 6 per cent discount.

An IBM engineer came to give the machine a once over and accepted it for a maintenance contract. Although Clements lost the warranty, maintenance costs were tiny compared with the sums involved.

He would repeat the exercise, again using a third party company to ship over a computer from the US, rather than having a go himself. "I have no expectation of importing computers, I just run a small data processing centre."

Others have not had such a trouble-free ride. Paul Stevens, systems manager for Binder Hamlyn, says that when the company last upgraded its IBM System 38 minicomputer, the new equipment came from the US. The memory upgrade to the processor was fine, but Binder Hamlyn "had an awful lot of prob-

lems" and waited months for the device controllers from peripherals company Memorex. Once bitten twice shy? By no means. Binder Hamlyn is again looking to upgrade its System 38 site in August and has already started to look around for companies which bring in machines from the US.

Dave Thomas, brokerage manager at Asystel, says the savings remain attractive. When Asystel calculates a contract with a computer manager, it takes into account the costs of buying in the US, transport, import duty, conversion and installation. The company sometimes also arranges to pay maintenance to IBM for the first year to replace lost warranty, and still makes a healthy profit.

He estimates a 20 per cent saving on a top-of-the-range IBM 3090 600K mainframe costing \$1.1m (£6m) in the US. According to him, the same machine costs almost £1.1m in the UK, but more conservative estimates put it at between £1m and £8m. Nevertheless, less this is an impressive saving.

Colin Cook, managing director of DPCE Products, which transports IBM and DEC machines from the US, says the savings are more noticeable in DEC processors the moment. He also comments that the DEC trade is brisker and that interest is strong in multiple DEC Microvaxes.

Both IBM and DEC, although reluctant to discuss the threat from across the Atlantic, admit that they have problems with back-door imports. Both companies' distributors in the UK complain that they have been hit by the activity of brokers buying the equipment cheaply in the US to sell in the UK and the rest of Europe. IBM has cut prices in the UK to help put a stop to the stream of machines coming in.

A spokesman for the company confirms that equipment in the US is usually cheaper and that IBM has been bringing down prices in the UK, particularly for the System 38 minicomputer. He says IBM is always looking to balance prices across the world and "cross-border shipping is an indication that something is wrong."

A DEC spokesman says: "We review our pricing policy in the light of prevailing business conditions. One of the factors that we do take into account is obviously currency fluctuations, but it is not the only one." The company is aware of cross-border trading and "constantly monitors the situation and takes action as appropriate."

One thing is certain, unless the gap closes between pricing in Europe and the US, this behind-the-scenes trading will not go away.

The author is chief reporter for Computing.

WORTH WATCHING Edited by Geoffrey Charlif

Transferred calls that cost less

THORN Ericsson, of the UK, is offering an automatic call distribution (ACD) system that enables some operators to be located away from city centres, so cutting costs. ACD is often used by companies that have to deal with large numbers of enquiry calls from the public. The calls are automatically fed to the operator who has been free the longest or, if all are busy, calls are put in a queue and fed to the first free operator. The system gives the public the best service with the fewest operators.

Many organisations that use ACD, however, have their systems in expensive city centres. Thorn Ericsson has devised software for its ASDP 182 system which will automatically divert the calls to remote, lower cost locations. An early user is British Telecom International, which is now able to route international directory enquiry calls from an ASDP 182 in London to operators in Grimsby, Humberside.

Two area electricity boards in the UK are also using the system.

Shrink to fit in an instant

PLASTIC tubing and sleeves, which will shrink to half their size when dipped momentarily into boiling water, are offered by Raychem, the US-based materials company. Raychem has made heat-shrink products for some time, but the new item, called Thermofit LS11, performs at a lower temperature than earlier materials. All that is needed is a container of water held at boiling point.

An important use will be in the electrical and electronic industries, where insulating sleeves have to fit snugly on to the metal ends of wires. An LS11 sleeve, positioned over the crimped-on or soldered connector, can be shrunk to fit in the time it takes to dip the assembly in the water.

Raychem believes the rapid action of the new material will make it attractive in many production applications calling for insulation or surface protection. The material is supplied on spools in diameters from

1.6mm to 38mm. When shrunk, it retains full mechanical, electrical and chemical resistance properties at temperatures up to 105 deg C.

Identifying beeps by numbers

PAGERS, a boon to employees on the move within an organisation, now emit more than one beep pattern with the object of telling the user to telephone a specific person or carry out some pre-arranged action. The problem lies in remembering what the various sounds mean. The latest unit from Air Call Communications of London has a numerical display that clarifies the source of each tone pattern and individual the priority that should be attached to each call. Up to eight alerts can be identified. Designed for use on Air Call's VHF paging network, the unit has a memory which stores paging calls until they are acknowledged and deleted. Silent operation, for use in meetings, replaces the beep with a flashing light.

Concord between computers

CONCORD Communications of Marlboro, Massachusetts, has introduced a communications controller which allows the new IBM Personal System 2 (PS/2) computer to be connected into MAP networks. The PS/2 is a personal computer (PC) which supersedes the IBM PC models. MAP, which stands for manufacturing automation protocol, is a networking software technology, initiated by General Motors, which allows computer-based equipment from any maker to be connected together in manufacturing systems.

GM took the lead in promoting such software, in advance of decisions by the international standards bodies, when it found that its factories were becoming a nightmare of dissimilar systems - machine tools, robots, assembly machines - that could not "talk" to each other.

Concord's product is called MAPware 1490. It is priced at \$1,995 and is claimed to provide a full solution at all of the software layers involved in the latest MAP specification.

Communication about qualification

IN THE UK, a survey carried out by the National Computing Centre (NCC) has revealed a requirement for more than 5,000 new information networking staff over the next five years. It also confirmed that communications was emerging as one of the fastest growing job categories (around 18 per cent per annum).

To try to cater for this expansion, the Institution of Electrical Engineers (IEE), the Telecommunications Users' Association (TUA) and the NCC are to investigate the demand for a National Certificate in Communications. Although there are already national certificates in many technology subjects, none concentrates on communications.

The three organisations plan a meeting on June 16 in London, involving government, industry and education, with a view to setting up a working party.

An advocate of commercial 'esprit'

THE EUROPEAN strategic programme for research and development in information technology, Esprit, should be seeking a better understanding of how to transfer technology from the academic world to the commercial one, as well as striving for technological breakthroughs. That is the opinion of John Diebold, chairman of The Diebold Group, New York management consultants.

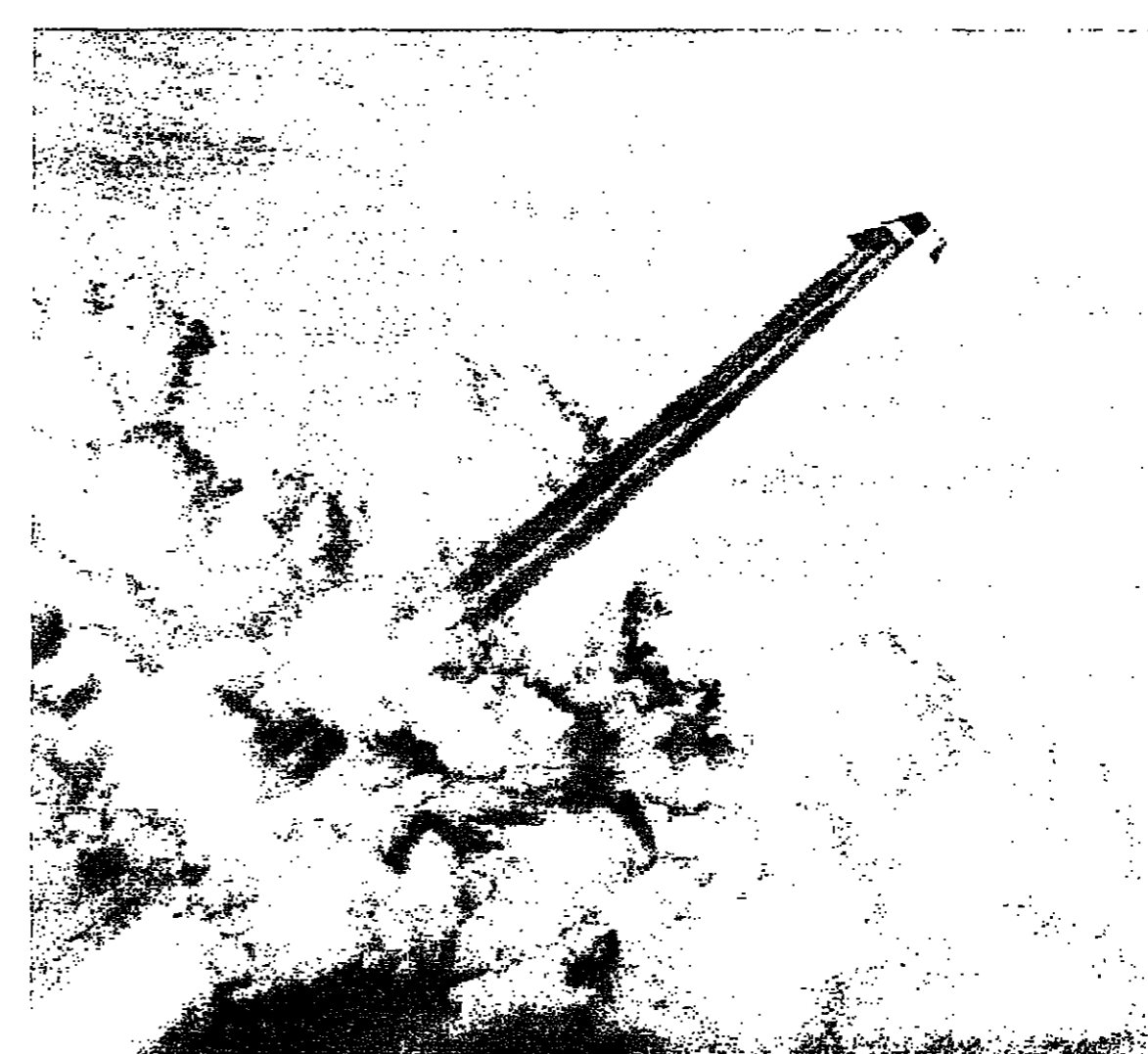
"As I understand it, one of the goals of Esprit is to ensure strong European positions in relation to Asian and US developments in information technology. If this objective is to be achieved, substantial effort must be put into understanding the transition mechanisms that bring innovations from laboratories to commercial markets," Diebold told a recent European conference on Esprit.

CONTACTS: Thorn Ericsson: UK, 0403 64166. Raychem: UK, 0793 26171. Air Call: London, 205 6566. Concord: US, (617) 480 4646. NCC: UK, 061 225 6333. The Diebold Group: US, (212) 694 4700.

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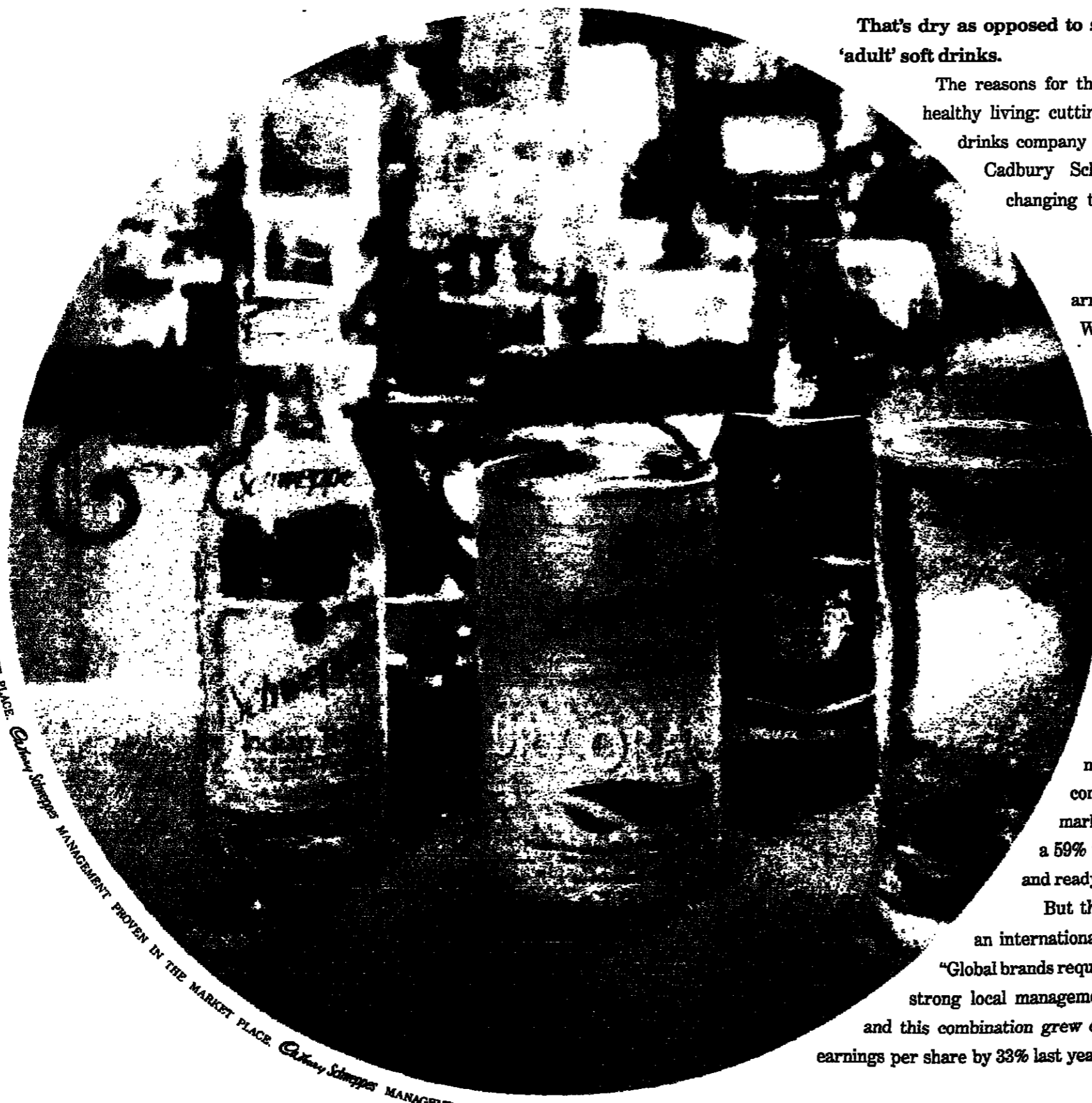
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Cadbury Schweppes increased their European soft drinks profits by 59%. They started by helping the market go dry.



That's dry as opposed to sweet; light and sophisticated as opposed to fizzy. In short, 'adult' soft drinks.

The reasons for this market shift are all wrapped up in the current emphasis on healthy living: cutting down on alcohol, cutting down on sugar etc. (but, for a soft drinks company with its top screwed on, no reason for cutting down on profits). Cadbury Schweppes simply repositioned existing brands that matched changing tastes and introduced a totally new dry range.

Uncommon Marketing.

The Common Market is becoming a reality. 1992 will herald the arrival of a formidable market of over 320 million thirsty consumers. We have prepared for that opportunity with a strategy that treats Europe as one entity but still allows us to recognise and cater for individual local needs.

Two highly successful examples of this strategy, developed by our local management and franchised bottlers, are Schweppes Tonic Water and Canada Dry. These classic old mixers are now seen as classic new straight drinks in many parts of Europe. In fact the Spanish market now consumes more Tonic than the British.

New product development has also been important. Sophisticated palates in France and Italy were specially catered for by the introduction of two subtly different, dry ranges. Ranges that have become so de rigueur, that our market share has increased significantly.

Uncommon Profits.

Increased manufacturing efficiency has freed funds for higher marketing investment. As a result, as tastes have grown up in continental Europe, so have beverages profits. Last year, through marketing efforts and the acquisition of Canada Dry, they exceeded £31m, a 59% increase on the previous year. And with the preparation complete and ready for 1992, the taste can only get sweeter (unlike our products).

But this isn't just a European success story. Indeed it might be called an international best seller. In the words of Chief Executive Dominic Cadbury:

"Global brands require strong local management and this combination grew our earnings per share by 33% last year".

Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

Handwritten signature or mark in a box.

MANAGEMENT

Pilkington

Integrating with the big league

Peter Marsh on the UK glass maker's strategy for its ophthalmic acquisitions in the US

THE \$261m purchase last September by Pilkington, the British glass maker, of two US ophthalmic companies was a coup for the UK group - and also a major challenge.

After buying the concerns from Revlon, the US healthcare company, Pilkington doubled its annual vision products sales to about £360m.

This catapulted the company from its position in the minor league in this \$20m-a-year business to one of the top four players worldwide.

The move fitted in with Pilkington's general preoccupation with diversifying into high-value areas related to its existing core activities such as lens-

existing vision products activities which were broadly scattered around the world.

Pilkington had to ensure a good fit between its old and new activities, cutting out overlap. It had to decide on which brand names it would use and where to concentrate manufacturing.

It also had to win the co-operation of 2,700 new employees added to the 4,300 previously on the payroll in the area of vision products.

The group's response to the challenge was radical. Rather than attempt to graft the new companies on to its existing management structure, it started from scratch, creating a new subsidiary, Pilkington Visioncare, to oversee all its eye correction activities.

In this exercise, Pilkington was greatly helped by the fact that work practices at its existing eye glass-making remit. The company wants about a third of its turnover to come from the newer areas by the mid-1990s.

Eye-correction goods add up to a fast-growing industry linked, in many parts of the world, to an increased number of people who are diagnosed as having eye defects. Increased consumer prosperity also means that more people, in developed countries at least, have the cash to pay for the products, which have a strong fashion component.

There is, furthermore, a great opportunity to feed into it new technical ideas, in areas like materials and processing technology, to make available better or cheaper products.

bers of people from the old and new parts of Visioncare. "We had to convince them (the new employees) of our seriousness and credibility," says David Roberts, chief executive of Pilkington Visioncare.

Roberts is a long-time Pilkington employee who trained as an accountant and who prior to last year's acquisitions had been in charge of the company's general ophthalmic businesses - which comprise both Visioncare and Chance Pilkington, a smaller subsidiary concerned with special glass products for items such as military equipment.

After the Revlon purchases, Roberts had a frantic six months supervising the decisions over the new structure, which is now complete. He justifies the strict control of the procedure on the grounds that Pilkington "could

Pilkington did not embark on this route entirely on its own. It called in a team from Bata, the management consultants, to advise it on the integration. The company is not willing to elaborate in great detail on what the consultants did beyond saying they provided extra perspective.

In the structure that ultimately emerged for Visioncare, Roberts oversees a division of Pilkington which has its titular base in St Asaph, North Wales - the traditional home of the group's ophthalmics work.

Only a handful of people work there, however, with Visioncare's operational headquarters now in the course of being set up in Menlo Park, California, reflecting the fact that 70 per cent of the company's sales are in the US.

Reporting directly to Roberts is John Heine, Visioncare's president and operating head, who had previously been in charge of

The group's response to the challenge was radical. Rather than attempt to graft the new companies on to its existing management structure it started from scratch, creating a new subsidiary

Pilkington's spectacle lens operations.

Under Heine are the four main Visioncare units, two of them covering just North America and involved with spectacle lenses, and contact-lenses and solutions. The other two are concerned with all vision products outside North America, on a worldwide basis, lens-processing equipment.

A vital part of the decision-making that went into the new structure concerned brand names. While for the time being SoLa, Pilkington's old brand name for both spectacle and contact lenses, will apply to both sets of products, it will eventually be used only for spectacles. That will provide a neat marketing



David Roberts of Visioncare

division between the two types of items, with Pilkington's contact lenses ultimately being sold only under the Barnes-Hind label.

Equally important was where to concentrate contact lens production, a highly sophisticated process where (in contrast to the making of spectacle lenses, which in Pilkington's case takes place in several factories around the world) it makes sense to site most resources in a single centre.

Pilkington ultimately decided to shut its existing contact lens factory in Phoenix, Arizona, which was run under SoLa management, transferring production to a sparklingly modern plant in San Diego, which had been part of Barnes-Hind. The transfer should be complete by the end of the year, with about 600 jobs being lost in the process.

Pilkington is well aware that completing the restructuring is only the first of the battles that Visioncare has to fight; it still has to prove that it can turn out good commercial results. Observers have, however, been generally impressed with what the group has done so far.

Angus Frazer, an analyst at County NatWest-Woodlands, a London stockbroker, says Pilkington has done "a superb job" in the restructuring, though he stresses that it is still too soon to say what the effect of the exercise will be in commercial terms.

Gordon Edge, chief executive of Scientific Generics, a consultancy which is advising Pilkington on technology and management issues, says he has been favourably struck by Pilkington's willingness to devolve management responsibilities around the newly enlarged eye correction group. "Pilkington has not imposed a hierarchical structure on the operation and has been very sensitive to the needs of the new people it has taken on. I would like to think the business will be a success."

Organisational structure

Focus on the 'middleman'

William Dallforce on a key role in corporate market awareness

GOOD MANAGERMENT, current wisdom says, ensure that their companies are market-driven, market-oriented or at the very least organised to receive signals from the market-place.

Autopsies on busted companies or consultants' prescriptions for ailing concerns - time and again distinguish the failure of management focused on product or technology to understand the changing demands of their customers.

The diagnosis is familiar: boards and chief executives are keen to make their businesses more responsive to the market. But Derek Abell, professor of business administration at the IMEDE management training school in Lausanne, says too frequently they do not know how to change the basic management orientation.

His research and consultancy work have led him to the belief that "middlemen" have a vital role to play in bringing about this fundamental change in organisational structure and in keeping a business sensitive to the market.

Connection

A middleman is an imperative for market-driven organisations. Abell explains in a recent IMEDE paper. He is needed to maintain and keep alive the connection between the market-place and all the internal functions of an enterprise - manufacturing, research and development, administration, finance and even sales and marketing.

However, to perform effectively, a middleman has to possess greater organisational clout and broader talents than those needed by conventional marketing managers.

Companies fail to make the required change of course, according to Abell, because they do not have marketing people who "understand manufacturing, can go to the research and development manager and talk privately, raise awareness within the company and function as orchestrators."

Marketing managers are usually better equipped to act as middlemen, Abell acknowledges, because they are in close contact with the customers and are orientated towards the competitive forces in the market.

Unfortunately, very few marketing people see themselves performing such a part. In most

firms, Abell argues, they are preoccupied with two other important tasks, selling and analysing. There has been no tradition of training them to be middlemen.

Abell traces the amplification of the marketing role in management since the beginning of the 1950s, when it was summed up in the title "sales director". Its scope was first broadened to include pricing, product policy, promotion and distribution.

Marketing managers were forced to look further "down stream" and to sell "through" not just "to" the next level of manufacturing or distribution. Strategies were aimed at stimulating end-user demand.

At this point the intelligence function was added to the mix. Initially focused on customer behaviour, market researchers tended to be analysts rather than managers. "They seldom collect the intelligence that is really required and they almost never adequately bring it to the people who most need to know," Abell criticises.

In recent years marketing has taken another big step forward by moving into competitive and industry analysis. But in Abell's view, this has not yet provided the tools to change the companies wanting to change their basic drive.

While many firms have used them to make strategic analyses and set new directives, few have put in place the organisational mechanism for making the company responsive to its market.

Paradoxically, Abell finds, although marketing managers are better equipped analytically, they are often more poorly prepared for acting as middlemen. Corporate executives' idea of getting across business school MBA graduates "started in sales" is fine for exposing young managers to actual buyers, Abell says, but misses the essential point - a marketing manager acting as middleman must also learn how to deal with production staff, research and development and the other internal functions of a company.

Three elements must be in place for a company to become market driven in Abell's view. Its organisational structure must reflect, and if possible lead, the changing segmentation of the market place.

Second, it must develop processes which allow the marketing manager to function as the mid-

dleman between the various functions of the enterprise and its market.

Third, and most important, managers in both marketing and other functions must achieve "much broader perspectives and leadership abilities than is typically the case today."

Abell cites the case of a chemical company which correctly read market signals as indicating the need for it to switch from bulk to specialty chemicals. It realised, too, that it had to adapt its heavily centralised management system to a more highly segmented market, to allow more decisions to be taken at lower levels.

It recognised that it needed good, all-round managers at the market segment level and even saw that marketing staff had to function as middlemen. In the end, however, it had to back off its plan to move strongly into specialty chemicals simply because it could not find enough people with the right management skills.

Understanding

In practice, Abell suggests, companies are not yet market driven probably need "to make a grand splash to get the whole thing rolling." A group exercise, spearheaded by general management or an emergent middleman, will inject into staff a universally shared understanding of the market place, restructuring the organisation, set new priorities for each function and define new working relationships.

This one-time effort should leave in place "new processes orchestrated by a middleman". Failure to carry through this redirection thoroughly or to involve all members of the organisation in it can jeopardise any later efforts to run a market-driven company, Abell warns.

In the final analysis, however, everything depends on the quality of the management involved. Career development often places specialisation lines which often fail to produce a middleman. Careful selection, a broader than normal pattern of managerial assignments and a planned period of management development are the only ways to hone the kinds of credentials required, Abell concludes.

For more information on this subject, see the brochure available free from IMEDE, PO Box 915, CH-1001 Lausanne, Switzerland.

Major Auction Sale of Commercial Properties. The Kensington Hilton Hotel, London W11 on 27th/28th June 1988 commencing 2.00 pm including FIVE FREEHOLD RETAIL PARADES.

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Mr Vic Tuffield has been appointed Finance Director and Company Secretary of DIAGONAL PLC. He was previously Finance Director of PE INTERNATIONAL PLC.

Company Notices. LEBOWA PLATINUM MINES LIMITED. NOTICE OF GENERAL MEETING. The company is hereby giving notice that the Annual General Meeting of Lebowa Platinum Mines Limited will be held in the Board Room, 11000 to consider and, if deemed fit, to pass the undetermined resolutions in the manner indicated.

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NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRs) IN KOMATSU LTD. EDR holders are hereby notified that the 1st and 2nd EDRs are to be paid to holders of record on 31st May 1988.

TRANS-NATAL COAL CORPORATION LIMITED. PAYMENT OF INTEREST - CLOSURE OF REGISTERS. NOTICE IS HEREBY GIVEN that interest for the period ending 30 June 1988 will be payable to holders of the abovementioned debentures registered in the books of the company at the close of business on 1 July 1988.

SOLVAY & CIE. The General Meeting of 6th June 1988, approved the distribution for the financial year 1987 of a net dividend of BF 730 per share.

PROVINCE OF NEWFOUNDLAND (CANADA). U.S. DOLLARS \$0,000 0% % 1978/1998 BONDS. Pursuant to the provisions of the Purchase and Sale Agreement, notice is hereby given to bondholders that the Bonds have been purchased for the Province of Newfoundland.

Legal Notices. NOTICE IS HEREBY GIVEN that a Petition was on the 27th day of May 1988 presented to Her Majesty's High Court of Justice for the confirmation of the Share Premium Account of the said Company.

ARTS

Arts Week

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Theatre

LONDON

Out on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre revival of Tennessee Williams's play directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (288 2232)

The Common Pursuit (Phoenix). Second London chance for Edward Simon Gray comedy about Cambridge graduates in love and Cambridge. Author directs good young cast including Erik Mayall and Stephen Fry. (836 2234, credit card bookings 240 9661).

Easy Virtue (Garrick). Transfer of the King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (278 6107).

South Pacific (Prince of Wales). Average traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritone Enzie Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing musical by Andrew Lloyd Webber. (839 2244, credit cards 379 5121/24 7200).

Pollies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5359).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevilian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2650/4143).

Haggard (Aldwych). New Tom Stoppard's wild miscegenae, romance and higher physics in a splendidly tart and clever entertainment. Pelfrey Kendall is the eponymous intelli-

gence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 8404, credit cards 378 6233).

NEW YORK

Fences (46th Street). August Wilson hits a home-run, this year's Pulitzer Prize, with a powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (821 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically felina. (828 6923).

A Chorus Line (Sondheim). The longest running musical ever in US has not only supported Joseph Papp's Public Theatre for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (833 8300).

Les Misérables (Broadway). Led by Colin Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original sources. (833 8300).

Starlight Express (Gershwin). Those who saw the original at the Victoria

in London will barely recognise its transatlantic incarnation. The sleekers do not have to go round the whole theatre but do get good access on the spruced-up stage with new bridges and American scenery to distract from the lackluster music and trumped-up, silly plot. (826 8510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Fyfe-Dawkins, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Blantonwood). Lily Tomlin repeats her award-winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 28. (254 3670).

CHICAGO

Pai Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (463 9800).

TOKYO

Kabuki (Kabuki-za). Kabuki-za is celebrating its 100th anniversary in 1988, presenting both perennial favourites and new works with leading actors throughout the year. Takada Shingun, O-Matsuri at 11am; Honcho Nishiki, Shunryo Kagami-Haji, Bansei Chobai at 4.30pm. For those with little time to see it, tickets are available (on the day only) for a single act. Excellent English earphone commentary. (365 Jun 27). (541 3131).

Opera-za no Kujira (betta known as The Phantom of the Opera) plays at the Nissai Theatre. The fact that Andrew Lloyd Webber's affectionate tribute to Victorian melodrama is setting a Tokyo production so soon after London and New York is more a tribute to the mighty yen than to Tokyo's theatrical and musical pre-eminence. However, Japan's leading musical company, Shiki, acquires itself well in what is a virtual carbon-copy of the London original. (333 5000).

The Mahabharata (Giza Saito Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris. In three parts, performed either on successive evenings or on a single day. Full of

enthralling images of earth, fire and water, but not without its long-gone, especially in the final part, which consists of a repetitive series of battle scenes. Ends July 27. (535 0855).

Hamlet (Dai-2 Factory). This studio production by Japan's most innovative director, Yukio Ninagawa, makes use of two translations, one old and one new, but Ninagawa has left it up to his actors to decide which one to use - and when. The strong visual concept for this imaginative production derives from Japan's Doll Festival. Hamlet is played by the popular TV actor, Ken Watanabe. Ends June 29.

Kasei Play (Awara Hall). Devoted by Robert Wilson, the master of performance art, with music by David Byrne of Talking Heads. This production was created in 1984 and, according to the publicity hand-out, "uses the stage as a three-dimensional canvas to create poetic images." (Wed, Thurs) (268 7850).

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). Elijah Moshinsky's stark production of Macbeth returns with the original heroine, Renée Brandon, in the title role. Elizabeth Cunniff as Lady Macbeth, and Edward Dorrance as Banquo. For what may be her farewell appearances here, Joan Sutherland, in rather muted form, leads a glossy, second-rate new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonnyng conducts, and the cast also includes Susanne Mentzer, Dimitri Kavakos, and John Alor. In place of Jon Vickers, Anthony Hoden takes over the title role in the final performance of the Peter Grimes revival. Other cast members are Josephine Barrow (Ellen Orford) and Victor Braun (Balthazar), both superb. John Barber is an authoritative conductor of the Elijah Moshinsky production.

English National Opera (Coliseum). The company honours David Pountney's Welsh National Opera production of Janacek's Cunning Little Vixen for its first Coliseum showing. Anne Dawson and Norman Bailey, Elder conduct and forester are Mark Elder conducts. In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived with members of the original Wagner cast - Estera Harries, Graeme Matheson-Bruce, Neil Howlett, and conductor Rees Banks. Also in repertoire, Nielsen's opera about the Danish royal family, The Merry Wives of Windsor, with the superb original cast, led by Andrius Zilinskas, and J. S. Bach's Sella's Wella. Rambert Dance Company season. (278 8916).

NETHERLANDS

Amsterdam, Stadschouwburg. The English speaking Theatre of Amsterdam continues its tenth anniversary summer season with Beyond Silence, a multi-faceted exploration of the female imagination.

NEW YORK

Julliard String Quartet, with Malher, Babitz, Janacek. Kaufmann Hall (Tue), (896 1100).

Illish Wlad Trio. Mozart, Bach, Beethoven. Julliard Concerts at the IBM Grand Plaza, 56th & Madison (Wed 12.30 Free).

Philadelphia Orchestra, with Yuri Temirkanov conducting, André Weira piano. Britten, Shostakovich, Rachmaninov. Carnegie Hall (Wed), (947 7800).

New York Chamber Symphony, with Luciano Berio conducting and Mark Hill on oboe. Madama, Berio. Corbett, Kaufmann Hall (Thu), (985 1100).

PARIS

Théâtre de l'Opéra. Massenet, Le Cid. Conducted by Michel Scotte, equality, conducted by Lawrence Foster in Nicolas Jallat's production (47 47 80).

Paris Opera. A 15th century Spanish tragedy-comedy is the basis of Maurice Ohana's modern opera about a famous process. Palais Garnier. (47 47 80).

Théâtre de la Ville. Matsck and his Ballet Cullberg with two programmes from Sweden. (42.74.22.77).

NEW YORK

New York City Ballet (New York State Theatre). Celebrating its 40th anniversary, the company has commissioned 20 works, including five new scores that punctuate the repertoire with pieces by Lar Lubovitch and Paul Taylor, among others. Ends June 29.

Royal Danish Ballet (Lincoln Center Opera House). In its week-long visit, the company performs August Bournonville's classic Abdallah and Napoli. (882 6000).

WASHINGTON

American Ballet Theater (Kennedy Center Opera House). The fortnight's visit includes new productions of Giselle Parismine, choreographed by Leonide Massine, and Raymonda choreographed by Mikhail Baryshnikov. Ends June 26. (524 3770).

WEST GERMANY

Berlin, Deutsche Oper. Salome is a Wieland Wagner production conducted by Heinrich Hollreiser. Gomard's Faust will have its premiere here, with Peter Seiffert, John Dew and led by Nelly Miricola, Kaja Borris, Peter Seiffert, Robert Hale and Andreas Schmidt. Also offered are Don Giovanni, Madame Butterfly and the ballet Coppelia. (3493).

Hamburg, Staatstheater. Mamen Lesant has a strong cast led by Raina Kabanianska, Rachel Jonsson and

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera with the Dutch premiere of Nixon in China by John Adams, with libretto by Alice Goodman. Directed by Michael Mayer and designed by Adrienne Lobel. Edo de Waart conducts the Holland Festival Orchestra with James Madalena as Richard Nixon. Caravan Page as Pat, Sanford Sylvan as Chou En-Lai and John Duykers as Mao Tse-tung (Mon, Wed). The Netherlands Opera also presents Salome Piscea (Van Manen/Schunmann) and the world premiere of new ballets by Nils Christie and Edward Lock. (285 455).

Amsterdam, Stadschouwburg. Michael Clark and Company in I Am Curious Orange (Mon). (943.111).

Amsterdam, Stadschouwburg. Opus 21. Music and dance from Taiwan (Tue, Wed). (888 8600).

Exhibitions

LONDON

The Royal Academy, Cosmo - The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Although he came to greatness in his middle and later years, his early period, far from being inconsiderable as has been generally supposed, is now revealed in all its complexity and contradictory quality, with many great works among the youthful experiments and failures. Ends August 21.

The Royal Academy Summer Exhibition. The 220th Summer Exhibition. Still the largest open exhibition of current paintings, sculpture, prints and architecture in the world. At 1,261 exhibits, chosen from a submission of something above 12,000, the show is a little smaller than usual, but as dense and diverse as ever, with as many good things to be discovered, a gratifyingly large number supplied by the Academicians themselves. Daily until August 7.

Barbican Art Gallery. Art or Nature. A thorough survey of French photography in the 20th century, as part of the "Images de France" Festival. The exhibition is especially strong on the great individual photographers of the period, such as Kerben, Cartier-Bresson, Brassai and Ager. Ends July 17.

The Hayward Gallery (two exhibitions). Angry Penguins. A fascinating study of the group of young painters active in Melbourne during and just after the Second World War. Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. Also: Paintings from the Phillips Collection in Washington. An enthralling selection from one of the great private collections of modern times. Its scope extends from the 18th century to the present day. From El Greco, through Goya and Ingres to Francis Bacon - the collection is still not closed. But its great strength is in Impressionism and Post-Impressionism - Renoir and Cézanne, Braque and Picasso, Bonnard and Matisse. Both shows until August 14.

British Museum. Ukiyo-e - Images of Unknown Japan. This large exhibi-

NETHERLANDS

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 600 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years of cultural history. Ends August 21.

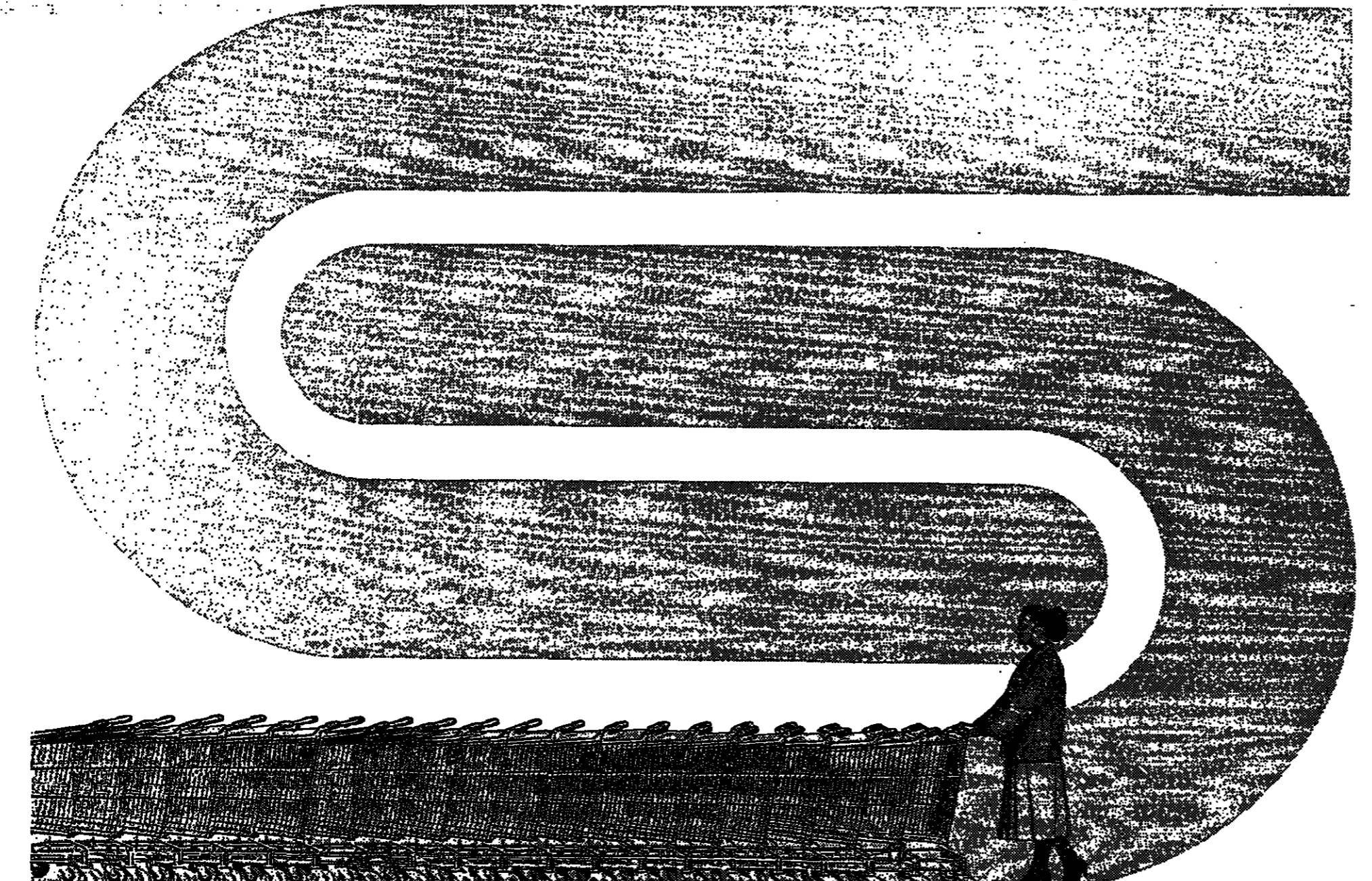
Amsterdam, Rijkmuseum. Two histories of the Indonesian 19th and 18th century ornamental prints, with designs for jewellery, weapons and furnishings. Ends June 19.

Amsterdam, Rijkmuseum (rear entrance). Divine Bronzes (rear entrance). Divine Bronzes (more than 300 high) illustrate the stylistic development of Indonesian religious images from the 7th to the 18th century and their role in transmitting culture from India and South-East Asia to Indonesia. Ends July 31.

PARIS

Galerie Schmitt. French masters of the 19th and 20th century. The discreet, luxurious three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. There is a darkly romantic portrait by Delacroix and a still abstract Nicolas de Staël landscape. There is a rare Picasso portrait of his son, Lucien, seated against a window and an early Picasso scene in a restaurant. A still life with a hyscinthus and apples by Gauguin surprises by its tenderness. Ends August 14. Closed Sundays and Mondays.

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ARTS

Cinema/Nigel Andrews

Sedate nostalgia does not win a Waugh

A Handful of Dust (PG) Cannon Shaftesbury Avenue, from next Tuesday

Dogs in Space (18) Remot, Gate Nottingham Hill, Cannon Oxford Street

Cop (18) Cannon Pantom Street Bright Lights, Big City (18) Leicester Square Theatre

Hello Again (PG) Warner West End, Cannons Haymarket and Oxford Street

It was only a matter of time. Fast running out of R.M. Forster novels, the British cinema (della epoca and boaters department) has now declared Waugh. A Handful of Dust is directed and co-scripted by Charles Struridge of TV's Bridget Joneses. Battering on Evelyn Waugh's arguably best novel, a sad and savagely funny picture of loneliness amid high-society caperings, Struridge brings us a movie that is the nearest thing to an artistic incubus I have ever seen.

You cannot say it is good. You cannot say it is bad. It has no independent life of its own: it merely plants itself on Waugh's novel and sets about sucking out its soul. The good news is that no Waugh-lover can complain of infidelity. James Wilby (Marquis of Monckton) is the T. Waugh's ineffectual landed gent, born to be cuckolded by his bored wife Brenda (Kristin Scott Thomas) who keeps scooting off to London to mate with the frightful John Beaver (Rupert Graves).

With a cunning mock blandness, using wit and irony as guerrilla weapons, the movie simply is bland. It purrs decorously along, Merchant-Ivory cinema without the Merchant-Ivory visual bravura. And once you have scooped the cream off the acting, chiefly Wilby's touching, fluffy Tony and Kristin Scott Thomas's drawing vixen Brenda, even the performances disappoint. Graves's Beaver is a rapid, colourless young stud - where is Waugh's ripely odious freeloader? Anjelica Huston and Pip Torrens contribute dismayingly blank canoes as family friends. And even Guinness has chosen to handicap himself with a peculiar accent. (What ever is it meant to be? Irish-Bardian?)

For the nostalgia crowd who lapped up Bridget Jones, it will probably do. The sets and costumes are nice. The pace is sedate. And there is no sex and violence. But then that is really the whole problem. The novel is full of sex and violence: never stated but darkly, sardonically, palpably present.

Nostalgia comes in all shapes, sizes and convulsions. It can even come, like Richard Lowenstein's Dogs in Space, from a 23-year-old Australian director hardly old enough to be nostalgic about anything. This weird movie features no dogs and no space: just two hours of hairy happenings and non-happenings in a Melbourne hipsters' squat circa 1979.



Kristin Scott Thomas and Rupert Graves in "A Handful of Dust"

James R. Harris's Cop is the best film of the week. We know most of the ingredients already from the Dirty Harry Thriller School. The renegade police Sergeant (James Woods) who bends or flouts the rules to get his man; the trail of carnage left by a psychotic killer; the marriage (Woods') works up his police-work pressures; the final cornering of the villain where guns speak louder than the reading of prisoner's rights.

But adapting a novel by James Elroy, writer-director Harris, for merely a Stanley Kubrick associate (the produced Paths of Glory and Lulu), hurls these ingredients into his private blender. They spin around at dizzying speed to produce extra-vivid colours and flavours. When not feeding us prime spoonfuls of black cynicism, the medicine studies Woods tells his tiny daughter from his own drug-busting files ("Tell me how you got this scumbag, Daddy" she chimes) - the film has wonderful fun concealed in its favour inside another. When feminist poet Lesley Anne Warren is roped in to give evi-

dence (former schoolmate of the film) she may be his next victim, her character reveals first ideological dogmatism, then romantic winsomeness, finally fear, panic and violence. Energising the whole film is Woods himself. The wessel-faced dynamo of Sedate and Best Seller scowls about Los Angeles, cutting procedural corners, cracking cynical bone mots and bedding obliging witnesses: all as if the crusade for justice were scarcely less sordid than the crimes he pursues. Cop suggests we live in a bad, bad world, whichever side we operate on. But it has huge, huge fun delivering the message.

The week's two Hollywood comedies are advance warnings of the silly. Bright Lights, Big City turns Jay McInerney's free-wheeling comic novel of cocaine and careerism into a ghoulish movie misfire. New York yuppie Michael J. Fox, when not living the rest of the film in a haze of drugs and parties, lives another kind of peace that kills in the slowcoach fact-checking department of a prestigious New York magazine (meant to be the New Yorker).

Can he adjust his life to a diet, an orderly pace? Will his dashing mentor and alter ego Kiefer Sutherland help or hinder? And between scoops of cocaine why does he suffer from these flashbacks to his Mum's deathbed? She is Diane Wiest, suffering bravely through the marvellous dialogue as if there might at least be an Oscar at the end of it all.

The film is directed by James Bridges, of The China Syndrome and Perfect, as if he is packaging pop videos. It is flashy, noisy and like animated wallpaper. It never catches the wit of the original, and uses the reserves of teenage hygiene in Fox's persona to ready us for a moralistic ending in which all those naughty drugs are forsworn and every good boy comes to realise he loved his mother.

Driving Miss Daisy/Apollo

Michael Coveney

It's "let's hear it for the oldsters" time again in the West End, as Wendy Hiller drifts elegantly into view as a mean old Jewish matriarch in Atlanta, Georgia, unable to drive her car without crashing it and unwilling to take the chauffeur provided by her businessman son.

Alfred Uth's play is a neat and sentimental variation on the I'm Not Rappaport format of a couple of seasons back, and in the same theatre. It is devised to demonstrate that grace and laughter are not inimical to senility, that growing old in a home has its compensations (the chauffeur comes and spoon-feeds you Thanksgiving pie, for a start) and that there's nothing unduly ageist about celebrating the mummified crumbling big generation.

The play won a Pulitzer prize this year but, given the state of new work on and off-Broadway (where the piece is still running), you have to write a brilliantly bad play not to win one these days. This play is certainly an efficient operator. His story concentrates, like Rappaport, on the bond between two feisty geriatrics, one black, one white.

Dame Wendy plays the white one. Daisy Werthan is a crotchety pensioner for Clark Peters's proud and shiny, but inevitably deferential, driver, Hoke Colburn. She starts by suspecting him of pinching a tin of salmon and ends by worrying about his eyesight. Their growing friendship is composed in a series of stop-start scenes, not all of them played with sufficient verve against a deliquescent inky blue background, designed by Thomas Lynch, that keeps changing like a Rorschach test. Gentlest string music raises the tone, too, as we speed across the decades from 1948 to 1973.

Dark Elegies/Sadler's Wells

Clement Crisp

The Rambert Dance Company is dedicating its new season to the memory of Antony Tudor. Tudor, who died last year, was Marie Rambert's second husband and a great choreographic discoverer (the first was Ashton), but it is ironic that his estate is seeking to injunct the Rambert troupe from performing a masterpiece that he created for them in 1937, Dark Elegies.

The reasons concern the version of the ballet now presented by Rambert - which claims direct albeit uncorrected descent from the first staging - and that produced by Tudor after he went to America in 1938, preferred by his heirs.

It would be good to be able to report that the presentation we saw on Wednesday vindicated the Rambert company's decision to ignore the Tudor estate's wishes. Alas, it had certain significant factors militating against its success. The original Nadia Benois backcloths, so apt in establishing

atmosphere, have been dispensed with, and the ballet is played in bleak, blank lighting. The present ensemble, skilled in dealing with the unemotional choreographic styles of Cunningham and Richard Alton, seems to me lacking in that psychic density, that controlled humanity, which was once essential in making real the grief of a community suffering appalling bereavement. The result is a performance that is careful, as blanché as the lighting, unconvincing.

The evening began well, with a clean and sharply delineated account of Alton's Dangerous Liaisons, the dance cut pure and bright by its cast, and with the Rambert company showing of Marie Cunningham's Septet. This is newly acquired, but dates from 1953, and shows the choreographer responding to Erik Satie's faux-naïf piano writing with

Philharmonia/Festival Hall

Andrew Clements

Many adjectives may evoke the first movement of Beethoven's Fourth Piano Concerto but "brilliant" is not usually among them. Yet Alicia de Larrocha's account on Wednesday with the Philharmonia was precisely that - consistently bright-toned, rhythmically piquant, and never attempting to seek out the work's recessed moments for their own sake. It was not by any means the all-encompassing, universalising view of the work that one would construct as a notional ideal, but as an antidote for too many palely loitering performances in the concert hall it was perfectly calculated.

Its deliberate lack of conventional kinship was emphasised in Larrocha's choice of cadenzas. That for the first movement could just about have been written by Beethoven - he wrote three and only two of those are heard regularly - that for the finale most certainly could not. They turned out to have been the work of Reinecke; worth hearing, but only in such an unexpected context as this.

Esa-Pekka Salonen's accompaniment to the first movement suggested that he had been expecting a more conventional, relaxed account - he had laid out the exposition with almost soporific amplitude. The soloist's energy gradually stirred him into life, however, and by the finale it had become a delectable and valid partnership. But then for much of Stravinsky's Firebird a lack of

impulsion, and a sheer inability to justify the music-making in any convincing way predominated. In its original 1911 scoring the complete ballet is heard relatively rarely in the concert hall. It requires great theatrical flair, a sense of occasion, to bring it off, and Salonen did not hint at an involvement on that level. The Philharmonia played exceptionally well for him, with some outstanding wind solos, but too many textures were generalised, and their Rimskian sheen was allowed to dull. Tempé swerved between the over-measured (in the opening sections) and the generously unstable (in the moments surrounding the Infernal Dance).

Saleroom/Susan Moore

Record for Nolde

Wendnesday's sale of German 20th century art, the second sale staged by Sotheby's in Munich, drew a number of works never before seen on the market or exhibited and two (unrelated) auction records.

Emil Nolde's vibrant "Blumenstern (Sonderweg)" densely and expressively painted in rich reds, violets and greens, far exceeded expectations by selling to a private collector for DM 1,516,000 or £583,132. It became the most expensive 20th century painting ever sold in Germany, and established a record price for the artist. (Another flower garden, this time with a woman in red, realised £470,000 at Sotheby's in London last year.)

Nolde sold well throughout the sale. A Fauvist still-life doubled its estimate by selling for DM 618,000 (£194,297), as did a ravishing watercolour of colossal red poppies. This smallish, unknown work emerged from a private collection to sell for DM 396,000 (£127,229).

The other record of the sale was also a watercolour: George Grosz's bizarre "Longings on an Office Clerk," coloured in a high primary palette, estimated at DM 90-120,000, it realised a substantial DM 286,000 or £91,897. Another surprise was Alexey Jawlensky's abstract head which Dealer Chris Beattie paid the top price of £13,750 for a series of 10 ink drawings by G.E. Brock illustrating Lamb's Essays.

Iphigénie en Tauride/Châtelet, Paris

Ronald Crichton

like the first, at the Opéra. Gluck's Iphigénie is still greatly and rightly admired. Piccinni's Iphigénie is a masterpiece of the genre, but it is not too unjust to say that it is not responsible for bringing the production to Paris, to value the experience mainly as an illuminating postscript to the Gluck celebrations, a demonstration of his overwhelming superiority.

To judge from this example, the fertile Piccinni was a complete, ordinary composer, mortally dull in whom the fires of drama burned low. Some exception may be made for the scenes with Iphigénie, Oreste and Pylade in act 3 - but you would need to be an even duller dog than this one not to respond to the drama at that point. Some of the vocal writing (for instance Iphigénie's big solo

VIENNA

Bathema. Wien 1983. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938. A large and outrageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish cultural scene. Ends June 30.

NEW YORK American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasises the work of artists like Tiffany, Lawrence and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

CHICAGO Art Institute. A contemporary retrospective of the work of Georgia O'Keefe evokes the world of flowers and shells in the luminous light of New Mexico. Ends June 25.

WASHINGTON National Gallery. More than 60 masterworks from superb 18th-19th century collection of Munich's Alte Pinakothek include paintings by

ITALY

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Pace's imposing arts' centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know much, who dominated the eastern Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 B.C. Organised by Professor Sebastio Moscati and sponsored by the Accademia del Lincei in Rome, the exhibition has been given a highly theatrical presentation by the architect, Gas Venturi. Sarcophagi project at odd angles from a pile of pink sand on the ground-floor of the Palazzo; in an upstairs room, model ships stand immobile in a toppling arched lake, and a huge polystyrene wave engulfs a Phoenician wreck. Not particularly enlightening graffiti run across the walls - comments on the Phoenicians by contemporaries and later writers. Many of the 1,200 objects displayed (gold and silver jewellery, coins and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful, and the 760-page catalogue, published by Electa, is excellent. Until Nov 6.

Venice, Fondazione Cini. Paolo Veronese, an intelligently presented exhibition to mark the fourth centenary of his death, two-thirds of which is devoted to his preparatory studies for his major works in Venice. Includes several masterpieces lent by American and European museums. Isola di S. Giorgio, Museo Del Folklore. Goethe in Italy, organised by the Goethe Museum in Düsseldorf and the Arbeitskreis Selbständiger Kulturinstitute in Bonn. It includes a mixed collection of objects connected with Goethe's two visits to Italy (1786-1788 and 1790) and gives a vivid idea of the essential equip-

ment for a late 18th century traveller in southern Europe (a pair of pistols, tables of exchange rates, folding writing-desk, and maps of the area). Organised by Professor and the wideness of the terrain covered). On show is a copy of his friend Tischbein's portrait, Goethe in the Roman Campagna, and several drawings and watercolours by Piranesi, Hackert, Enrie, Pinelli and Goethe. Piazza S. Epio. Ends July 5.

WEST GERMANY Cologne. Romisch-Germanisches Museum. Caesar's Glass, the most important display of Roman glass ever staged. It shows the period from Caesar to Justinian, from the first century BC to the 6th century AD. The 168 pieces are mainly goods from everyday life. The show is a joint project between the Corning Museum of Glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. The exhibition is sponsored by Olivetti and runs until August 2.

Darmstadt. Mathildenhöhe. That's Jazz - the sound of the 20th century. Darmstadt presents hundreds of pictures, posters and documents of jazz, from its birth in New Orleans in slavery. The exhibition includes instruments used by jazz personalities like Louis Armstrong, Dave Brubeck, Duke Ellington, Count Basie and Billie Holiday. The visitor can also watch historic films or listen to music in special rooms. These are reconstructed of a New Orleans Salon, a studio from Chicago in the 1930s as well as an illegal Berlin Studio from the Nazi period when jazz was banned. There are other items like a street sign from New York Avenue, a painting of Aron Douglas, which shows the advance of black people through music. The Sound Machine from the 40's. There are about two concerts a week in a special room with 320 seats.

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Mr Dukakis sets the pace

IT IS DEBATABLE whether it is harder to win a presidential nomination in the US or the presidency itself. But Mr Michael Dukakis, the Democratic challenger of Massachusetts, has just won the first and, according to all available evidence, has a measurable lead in the race for the second against Vice President George Bush for the Republican.

This is a remarkable achievement, not so much historically, because men have come from nowhere to take a nomination and even the presidency, but very much in the context of this year's politics. It is not so long since the Democratic field was being derisively dismissed as the seven dwarfs, representatives of a party so riven ideologically and so devoid of clear leadership as to be incapable of grasping a clear opportunity to wrest back the White House in the post-Reagan era.

There are still gaps in the public knowledge of Mr Dukakis and several internal party divisions to be reconciled, particularly with the Rev Jesse Jackson. This is now focused on the choice of a running mate, with Mr Jackson making it clear that a number of "safe" choices, such as Senator Sam Nunn of Georgia, are unacceptable to the progressive forces he represents.

Determination

But what impresses most about Mr Dukakis is that he has reached his present state by a determination to stick to the reasonable middle ground, to play the game straight and to respect, not demean, his opponents.

He may have done this in a rather flat, unimpassioned way, managing at best an image of managerial competence. Yet this may be what the public wants after the roller coaster ride of the Reagan years. Certainly he has presented a difficult target. Even Mr Jackson, his obvious antithesis, paid him the very considerable compliment on primary night in Los Angeles by saying that the two of them had demonstrated that it was possible "to compete without conflict and offer without division."

Whether this dignity can be maintained in the weeks before the convention in Atlanta next month, let alone in the campaign proper, is another matter. But the good clean fight has helped

Tackling Africa's debt crisis

IT HAS LONG been clear that Africa's economic crisis demands urgent and radical measures. The strains of servicing the continent's external debt of \$200bn are jeopardising the far-reaching economic reforms which over 30 countries have introduced.

The response to this crisis by Western governments and institutions has not been insignificant. But it has been slow in addressing some fundamental issues. Thus President Mitterrand's unilateral offer this week to the world's poorest countries a package of partial debt cancellation, accompanied by longer restructuring terms and preferential interest rates on remaining commitments, is a major advance.

The package acknowledges that concessionary interest rates are a potentially valuable element in efforts to resolve the debt crisis for the poorest African countries, gives encouragement to hard-pressed African leaders, and shows the way for the other industrialised nations when they discuss Africa's predicament at this month's Toronto summit.

The package is similar to measures Mr Nigel Lawson, the Chancellor of the Exchequer, has long been advocating - as he pointed out last night.

Formidable

Yet, welcome as these initiatives are, the problem of Africa's external debt, and the linked issue of raising sufficient resources to sustain Africa's efforts at economic recovery, remain formidable. At present, international lending is, in aggregate, doing no more than cover debt service obligations. Further measures are needed, over and above the recent increase in facilities offered by the International Monetary Fund, the World Bank and the African Development Bank.

Approximately 40 per cent of the continent's debt is to official bilateral creditors, including export credit agencies, and comes under the Mitterrand proposals - assuming other industrialised countries now adopt the package.

A further 25 per cent is owed to international financing institutions, which do not rescind their loans. They argue that it would jeopardise their credit ratings, or in the case of the Internation-

al Development Agency (IDA) and the African Development Fund (whose interest rate is nominal anyway) simply reduce new lending.

But there is a need for an initiative from the third major category of creditor, the commercial banks. Although the share of the debt is only 25 per cent, they have received in recent years about half the total interest paid on the debt, according to the UN report on financial flows to Africa, compiled earlier this year by a group of experts headed by Sir Douglas Warr. The report recommended that commercial banks should be willing, on a case by case basis, to take special debt relief measures.

Alternative

Other proposals which would ease the debt burden also deserve consideration. Debt equity swaps are unlikely to attract much support, but a feasible alternative, envisaged by the African Development Bank, is conversion of debt into long term securities or bonds on which creditors accept lower rates of interest.

Debt relief is only one element in a solution to the continent's problems. The Warr report warned that Africa's recovery programme needed at least \$5bn a year over the next few years, over and above what was expected to be available. The report estimated that increased resources from the IMF and the World Bank would bring in \$3bn; interest rate reductions would provide a further \$1bn, leaving a gap of \$1bn a year which would have to be filled by bilateral donors.

The essential requirement is to increase the net flow of resources to African countries in the context of economic programmes that offer some prospect that those resources will be used more effectively than in the past. The danger is that the policy changes will wither away for lack of new financial fertiliser.

The Toronto summit provides the opportunity not only to endorse President Mitterrand's debt package, but to set in train efforts to close the financing gap. Both approaches are needed if the continent's economic recovery plan going well beyond the proposal released this week.

"I continue," he said, "to ask

Clay Harris looks at prospects for Europe's lighting industry as it undergoes a rapid change of structure

EUROPE'S lighting industry is coming out of the shadows. At present, the spotlight is directed at the two rival UK bids for Europhane, France's second largest manufacturer of commercial and industrial lighting fittings. But discernible at the edge of the beam of public attention is a general jostling for position ahead of 1992; and a structural evolution taking place within the continent's additional demarcation is breaking down: between light sources - the old-fashioned tungsten filament light-bulb, fluorescent tubes of all shapes and sizes, the most advanced metal halide lamps - and the fittings which hold them and focus their light.

The continent's leading lamp-makers - Philips, Siemens, Osram subsidiary, GTE/Sylvania and Thorn EMI - are scrambling to offer "total lighting solutions" instead of obliging customers to make product-by-product decisions. The easiest way to do this quickly is to buy independent fittings manufacturers.

The way to take exception to this part of the strategy, although some have acquisitive appetites of their own. Small and medium manufacturers are branching out from their traditional national bases to seek foreign distribution and co-operative design agreements.

Within this context, Europhane's British suitors, Thorn EMI and Emes, could hardly be more dissimilar. They share little more than an urgent desire to gain control of Europhane's local distribution channels, the last independent network of any size left among French-based lighting manufacturers.

Perhaps more than any other UK company, Thorn is associated with lighting. Founded in 1928 as a marketing operation by the Austrian-born Jules Thorn, later Sir Jules, the company which was to become Thorn Electrical Industries began making light bulbs in 1932. It built up a dominant position in its home market, where it still claims a third of light-source sales and nearly as much of commercial fittings.

After Thorn's merger with the entertainment and leisure giant EMI in 1975, however, the original business became, in truth, a light hidden under a bushel. Distracted by troubles elsewhere in the conglomerate, Thorn EMI did not get around to re-emphasising its commitment to lighting as a core business until after 1985, when there was a change of management.

Emes, by contrast, came to the London stock market only in 1980. After a decade of acquisition-fueled growth, its lighting sales - it also supplies electrical accessories - are only a fifth of Thorn's. Light's turnover.

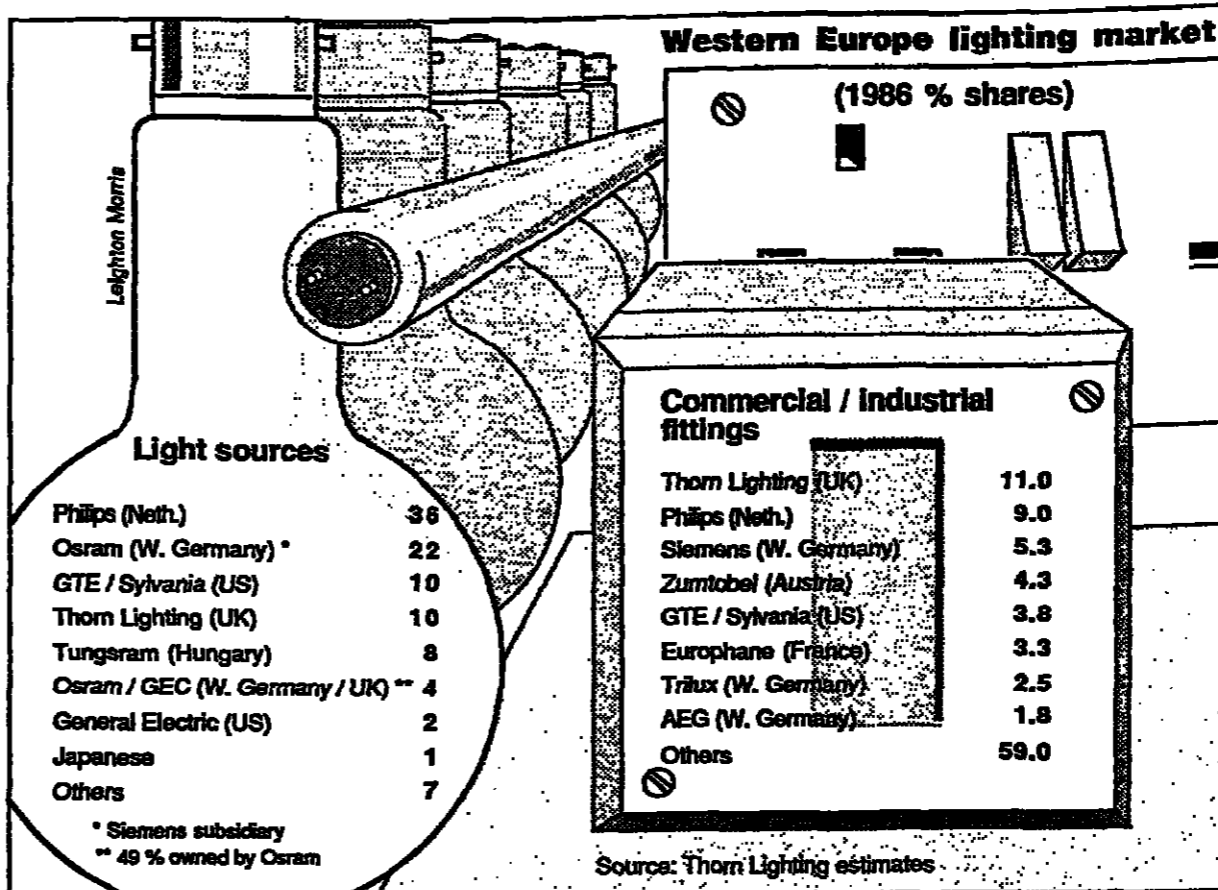
Thorn, however, does not mind playing Goliath. Its new offer values Europhane, and its parent group Holophane, an industrial glass manufacturer.

If Emes should triumph in France, Thorn does not rule out one day casting an acquisitive glance at its rival

turner, at FFf 912.5m (\$36.6m). The bid pits Thorn and Emes directly against one another; it also tests the strength, and status under French takeover rules, of "irrevocable" acceptances given to Emes last week by holders of a majority of Europhane's shares.

Mr Colin Southgate, Thorn EMI chief executive, insists: "A Holophane-Emes axis doesn't answer the long-term problems of globalisation." If Emes should emerge triumphant in France, he does not exclude the possibility that Thorn might one day focus its acquisitive attention on its rival.

For Thorn, as for its leading world competitors, globalisation stands for



When bigger means brighter

more than crossing national frontiers. It means that hardware, however advanced or efficient, is important only to the extent that it makes possible the provision of the real product: lighting.

"You deliver a package of light to the consumer," says Greg Rice, president of GTE/Sylvania, the Geneva-based subsidiary of the US telecommunications and electronics group which claims to be the third largest light-source manufacturer in Europe.

Reliable figures about market positions are scarce. Most companies and national industry bodies keep a tight rein on statistics. Philips, for example, strongly disagrees with Thorn's 1986 estimates (see table) which show the UK company with the largest share of the European fittings market.

Lighting is close to becoming a service business, rather than a technology-driven manufacturing industry. Philips has taken this to the extent of leasing entire lighting systems to customers on full-maintenance contracts.

Technical innovation - and the ability to finance it - remain important competitive factors, however. They give the four large lamp-makers an advantage over the wide array of independent fittings companies which continue to account for more than two-thirds of the European market.

The big groups' strategy is already clear. They account, with associate companies, for more than 80 per cent of the light-source market. And they now also hold four out of the top five places in commercial and industrial fittings. For the most part, with Thorn as a partial exception, they shun the decorative fittings and table and standard lamps aimed at the home-furnishing market. Nevertheless, changing tastes have made it easy to stray across the

frontier between commercial and domestic fittings.

The decorative market is even more fragmented than the commercial sector, exemplified by small companies importing and assembling products. In the UK, the 20 per cent retail market share maintained by BHS, the Storehouse chain-store subsidiary, exerts a strong influence on its wide range of small suppliers.

For a company like Emes, which is strongly represented in both commercial and home-lighting sectors, conservative UK design taste and spending habits were one impetus to seek markets elsewhere in Europe. Continental Europeans "are far more adventurous in their design and they spend far more on their décor," says Emes's chairman, Mr Michael Meyer. West German households change their decorative lighting every three years on average, compared with seven years in the UK.

Europe is still markedly less concentrated in commercial light fittings than the US, where the top four suppliers account for more than 50 per cent of the market. None is associated with a light-source manufacturer, reflecting a different pattern of distribution.

None the less, Europe is moving rapidly towards greater concentration. Three of the big four lamp-makers have already made significant cross-border acquisitions:

- Philips became the largest manufacturer in France with the purchase of Compagnie des Lampes, a light bulb and fittings manufacturer.
- GTE/Sylvania also moved into France in 1979, through the takeover of Claude, still a popular brand of bulb. In 1986, it bought Rotaflex, a display lighting specialist, by intervening in a three-way UK takeover battle.
- Thorn EMI bought Kaiserleuchten

in West Germany and Jarmkust in Sweden, before bidding for Holophane.

Only Siemens has stayed at home in West Germany, relying on its domestic base for growth in fittings. In part, this reflects the peculiar nature of the West German lighting market, Europe's biggest. In the UK, Thorn is the clear leader; in France, Philips, GTE/Sylvania and the eventual owner of Europhane dominate local manufacturing. But in West Germany, it is unlikely that any company has even 10 per cent of the market.

Instead, there are half a dozen manufacturers with about that proportion of sales, and several more not far behind. Of West Germany's larger light-fitting companies only Siemens and AEG are quoted companies. The others, such as Trilux, Erco, Staff, Hofmeister and RZB, remain determinedly private, often family-controlled. This has made it difficult for predators of any national-

ity to acquire a local German partner. There are exceptions, however: Thorn bought Kaiser to merge it with its own Thornlicht operation in the late 1970s. And in September last year, Emes paid €3m for nearly 25 per cent of Brillantleuchten, based in Bremen, one of the few publicly quoted small German lighting companies. The deal involved Brillant's controlling shareholders' taking a reciprocal, but smaller stake in Emes.

In this way, says Michael Meyer, each company could retain its independence but still reap the benefits of co-operation in design, manufacturing and distribution.

For the small and medium independent makers like Emes, survival depends on assembling a broad range of products and gaining access to distribution channels in each of the main European markets. This week, for example, Emes's

Merlin subsidiary arranged a reciprocal distribution deal with Proflight, a private Dutch fittings company.

The drive to obtain distribution is also whetting the acquisitive appetite of the giants. "To gain distribution in a cold market is very expensive," says Mr Mike Goodwin, managing director of Philips Lighting UK. An established distribution network and a strong local identity are invaluable even for companies with a full range of products: both Siemens and GTE/Sylvania approached Holophane after Thorn first announced its interest in the French company.

But strong distribution is even more important for smaller, niche players. F.W. Thorpe, the UK fittings manufacturer, has attended the Hannover Lighting Fair for 19 years, with little to show for it, according to Mr Michael Lippold, the company's chairman. Of Thorpe's \$8.3m in sales last year, only €1.2m was exported. Of this, continental Europe accounted for only €229,000.

Now Thorpe is co-operating with Britain's Trade and Industry Department, the Lighting Industries Federation and two other small UK companies, to study joint marketing on the Continent. The partners may also try to follow the Emes example of buying a stake in a West German company.

In light-fittings, greater concentration is on the way. In light bulbs, meanwhile, it is already an historical fact. "For light-source manufacturers, 1992 has been with us for a long time," says Ernest Magors of the UK's Lighting Industry Federation. "You can't manufacture anything except the smallest candle lamps on a small scale."

The process is likely to continue. The big four lighting-source producers' collective market share is expected to grow to more than 80 per cent. They alone can afford the research and development necessary to maintain the steady flow of new products which gives them a competitive advantage over the independents. It is also expensive to update production methods.

The big four, however, are unlikely entirely to squeeze out the competition. Producers such as Hungary's Tungaram, the Comecon leader in lamp technology and in exports to Western Europe, will continue to compete strongly on price in basic light-bulbs, if only to preserve access to hard currency.

Smaller single-market manufacturers may also eke out an existence based on local brand loyalty, but their numbers are likely to dwindle. Among the strongest candidates for survival is Sweden's Lanza, but others facing a most uncertain long-term future include Lenci (Italy), Aram (Finland), Crompton (UK), and Lindner (West Germany).

The odds, in any case, are against any significant new entrants into the European light-source market. Japanese producers have limited their Euro-

Hardware is important to the extent that it makes possible the provision of the real product - lighting

pean presence to the occasional specialised product. And General Electric of the US - the market leader there - seems too uncertain about its role in lighting to contemplate extending its relatively token European operations.

The same arguments increasingly apply to fittings. Considering the structure of the European market, only a lamp manufacturer - or stubborn independent like Emes - is likely to gain much advantage through swallowing up smaller fittings makers. "It's difficult for me to see a complete outsider getting into it," says Greg Rice of GTE/Sylvania. Concentration will continue; West European companies will be the ones that dominate.

Mitterrand's manifesto

On Wednesday the French Government was said to be preparing to put pressure on Britain to join the exchange rate mechanism of the European Monetary System.

The coincidence looked like an orchestrated campaign. It was in fact just the result of two international meetings: the Economic and Finance Ministers of the European Community at the beginning of next week, and the western economic summit in Toronto at the end.

The demand for Britain fully to join the EMS is an extension of the consensus of the past two years of cohabitation between the socialist president and the previous right-wing government. As the presidential election campaign unfolded, both sides are committed to the strengthening of the European Monetary System, and the creation of some kind of institutional superstructure for it.

By contrast, the proposal for the cancellation of third world debt represents a clear reversal of the position adopted by Edouard Balladur, Finance Minister in the Gaullist-led government, and it appears that firm instructions had to be sent out from the Elysee to the Finance Ministry, to overcome the initial reluctance of the administration.

President Mitterrand has long endorsed the case for greater help for the development countries, but first indications that he would advocate the cancellation of debt came in his "Lettre a Tous les Français", the electoral address published at the beginning of April. Not merely did he reiterate his support for raising the level of French aid to the target of 0.7 per cent of GNP set down by the United Nations, but he outlined the sketch of a recon- plan going well beyond the proposal released this week.

"I continue," he said, "to ask

OBSERVER

for the cancellation of the debts of the poorest, rearrangements of every sort of the debt of the others, and a link between the terms of repayment and the variations in the prices of raw materials." We have been warned.

Owen in health

The Social Democrats have produced a page newspaper called Kensington Express with a huge photograph of Dr David Owen on the front, as their first contribution to the Kensington by-election. It suggests that health will play a prominent part in the campaign.

Owen's book on the Health Service will be published next week. It is also the 40th anniversary of the Health Service and the Kensington Express has a coupon inviting readers to answer the following two questions.

We think that turning a lottery whose proceeds go to the NHS is a good idea. Do you?

We think that turning premium bonds into health bonds with the profit going to the NHS is a good idea. Do you?

Foggitt's birthday

Bill Foggitt's forecast for the weekend is a little bleak with a continuing east wind and more light drizzle but nothing heavy.

The thrush weatherman says his forecast for a blistering summer holds good, thanks to the elder tree which has blossomed before his birthday on Saturday when he will be 75, the age he has been owing to all year.

"My father told me that a good summer was ensured if the elder flowered ahead of my birthday," he said yesterday. It came out on June 3 in bright weather which has brought hardly any rain. "It could have been worse," said Foggitt. "It snowed here on June 2 1975, and there was sleet on the same date, Coronation Day, in 1953." He himself has not



seen snow any later, but says his grandfather recorded a heavy snowfall on July 18 1868, although other contemporary records have it as hail.

Deep waters

The water polo party which toured South Africa earlier this year may know whether it is safe to go back into the pool after the weekend.

The Amateur Swimming Association which imposed a ban on national league games when it heard of the tour, lifted the ban when it failed to flush out the guilty players.

The ASA has now handed the matter down to its Southern Counties District which is to hold a "Judicial Tribunal" on Saturday.

This fearsome sounding body will be meeting at a secret venue somewhere in London, according to the district chairman Duncan Whitley, who said it has the powers to fine and suspend players. Those alleged to have toured South Africa have been informed:

whether they turn up remains to be seen.

NICs become NIEs

The word has gone out from the organisers of the Economic Summit of the seven leading industrial democracies in Toronto later this month: henceforth the newly industrialised countries, commonly known as NICs, shall be called NIEs for newly industrialised economies.

As the Canadians were preparing for the summit, they were approached by a senior Chinese diplomat who protested that the use of the term NIC implied that Taiwan was a country. Other NICs along with Taiwan are South Korea, Hong Kong and Singapore.

The Canadians took the point. According to Japanese foreign ministry officials, the term NIEs started to appear on all documentation emerging from Ottawa about three weeks ago. The Canadians explained that NIC was also an inappropriate description of Hong Kong, which remains a British colony.

The change has been accepted by all the summitiers. "A Japanese foreign ministry official said yesterday.

Man's best friend

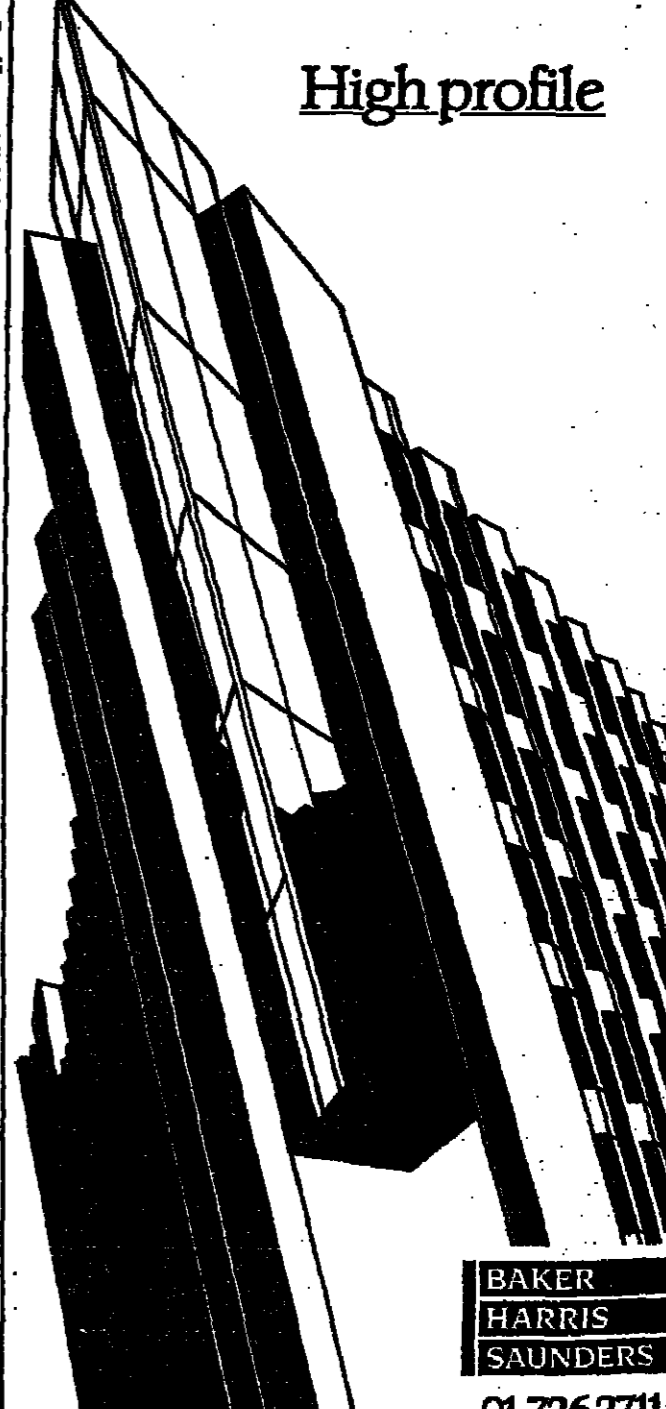
John Golding seemed determined yesterday not to become too preoccupied with criticism of his leadership of the National Communications Union.

Delegates at the union's annual conference in Blackpool were debating a motion which called on their general secretary to resign because of his failure to answer allegations in the News of the World newspaper about his private life.

As the debate was in full swing, Golding kept one ear open for the result of the 2.08 at Hackney where a dog in which he has a share was running.

The motion against Golding was passed, but the dog won at 5-1. Before the race Golding attempted to have the dog's name changed from River Road Flash to Stab Yer Mate. The Kennel Club objected.

High profile



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FINANCIAL TIMES

Friday June 10 1988

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Bolivia's determined war on want

ON THE high windswept plateau above La Paz, nearly 4,000 metres above sea level, former tin miners are laying the foundations of small adobe brick houses. About a hundred mining families have been living in tents on the edge of the city since last year.

Sarita Kendall looks at how one of South America's poorest countries is faring in the fight against poverty, inflation and political uncertainty



The women walk 500 metres to the nearest water tap, which drips into ice-rimmed gullies in what is now the middle of the southern winter. Most of the children are in school, and a few of the younger men have found occasional work. The houses, like many things in Bolivia, are funded mainly by foreign aid.

The miners are victims of "relocation" and "rehabilitation" schemes essential to the Government's struggle against five-figure inflation rates and chronic budget deficits.

The administration's IMF-backed, 11 per cent inflation during 1987 and a relatively stable currency - has not extended to a long promised "reactivation" which would mitigate the harshness of President Victor Paz Estenssoro's New Economic Policy.

The Government has already had to reduce the 1988 growth forecast from 4 per cent to 2.5 per cent, and foreign specialists doubt whether this can be achieved. Although years of contraction have given way to a 2 per cent growth rate in 1987, income has fallen to about \$560 per head. By many standards, including infant mortality and malnutrition, Bolivia is the poorest nation in South America.

Mining production has been dropping steadily as a result of low prices and closures. Last year's tin earnings were down to less than \$70m, representing 12 per cent of export income.

Some redundant miners, unable to find employment in cities or the coca-growing valleys, have returned to join co-operatives working the silver mountain at Potosi on the high plain. Although the mountain looks like a huge, well-sifted pile of rubble, recent studies suggest that modern techniques could extract more silver than was mined in Spanish colonial days which ended in the 1820s.

The decline of the mining workforce has also produced an important political effect by draining off some of the most combative sectors from Bolivia's powerful trade union organisation.

While the traditional unions no longer paralyse the country with ease, coca farmers are becoming more aggressive: thousands of growers have joined protest marches in La Paz and Cochabamba, and blocked roads to the main producing areas in the Yungas and in the Chapare river valley.

Growing coca - the raw material for cocaine - is legal and an ancient tradition of the indigenous people of the Andes, but a new law being discussed by Congress is expected to limit the crop to certain areas, prohibit new planting and promote crop substitution.

Although coca and cocaine prices have tumbled in recent months, coca is still the most resilient source of income in much of eastern Bolivia, covering some 80,000 hectares of land. Drug experts are quick to point out that the peasant defence of coca-growing also benefits cocaine traffickers, and they question some of the anti-imperialist, pro-tradition rhetoric behind the protests.

Bolivians anxiously insist that they do not have a cocaine problem of Colombian intensity. Violence is rare, but cocaine has permeated most national institutions.

The appearance of "narco-video", showing meetings between party leaders from the Nationalist Democratic Action (ADN) and the country's cocaine king, Mr Roberto Suarez, reinforces the political connections.

Low prices - largely due to increased production - mean that Bolivia's cocaine income (all illegal) will probably drop to between \$200m and \$300m this year, compared with earnings of \$600m per annum in the past.

Although the Government's anti-drug efforts have not been as

vigorous as its anti-inflation campaign, financial backing for both is flowing in. The United Nations has projects in coca areas worth more than \$40m (including some \$4m from the UK). Creditors, appreciative of Bolivia's New Economic Policy, have been lenient while donors are responding to the need for aid - especially food - and the country receives strong support from multilateral organisations.

In a visit to Washington during May the economic team managed to tie up a package involving an IMF structural adjustment facility and some \$70m from the World Bank to buttress the financial system and provide working capital for the private sector.

However, the country is already gearing up for next May's general election, and the business confidence which has been so carefully nurtured is bound to suffer.

Oil and mining companies, convinced of the richness of Bolivia's natural resources, are keen to buy in if this unprecedented period of political stability lasts.

Local companies show less optimism as shutdowns continue - for example, in the shoe industry - wages lose purchasing power and unemployment remains more than 20 per cent.

Few analysts give this government's Planning Minister and economic strongman, Mr Gonzalo Sanchez de Lozada, a chance in the elections. At present he is battling for his party's nomination.

The ADN has been damaged by its association with this government and by the narco video scandal, but the centre-left Revolutionary Left Movement (MLR) is cashing in on an "opposition within the establishment" stance.

The possibility of a united left wing seems remote. The Community of Grass roots leader said, "Bolivia is the country of surprises."

One of the Government's biggest achievements has been to reduce the surprise element, and a peaceful handover would reinforce this process.

Japan gives effortless boost to overseas aid plan

By Ian Rodger in Tokyo

JAPAN will announce a five-year plan to boost its overseas development aid at the economic summit in Toronto later this month.

The plan is one of three main elements in the foreign policy that Mr Noboru Takeshita, the Prime Minister, outlined in a speech in London early last month. The other elements were improving relations with Western Europe and making greater contributions to world peacekeeping efforts.

The final details of the aid plan are still being worked out by government officials, but its main objectives will be to improve substantially both the quality and quantity of aid.

The country's aid budget has frequently been criticised for being relatively small and, in effect, for being a part of its export effort. In 1986, 29 per cent of its aid spending was tied, requiring recipients to spend the money only on Japanese goods and services.

Now, the aid programme is seen by the Government as one of the main ways in which the country can fulfil its enhanced world leadership responsibilities.

Japan, which is now the world's largest creditor, began trying two years ago to improve its aid policy, undertaking then to double its annual overseas aid budget from \$3.8bn to \$7.6bn by 1992. However, as a result of the sharp rise in the value of the yen, that target was probably reached last year.

Also, because of the country's strong economic growth rate, the ratio of aid to Gross National Product, the measure by which industrialised countries compare their aid efforts, has remained ignominiously low. The average among industrialised countries in 1986 was 0.35 per cent but Japan's was only 0.29 per cent. Last year, Japan's spending rate may have crept up to 0.31 per cent of GNP.

Early last year, the Government reacted to the new circumstances by bringing its doubling target forward by two years. In response to growing criticism of its huge current account surpluses, it also launched programmes to recycle \$30bn over seven years in loans to Third World countries and to provide \$500m in grant aid to sub-Saharan African countries.

The yen's rise has made it all rather effortless. This year's aid budget is the equivalent of \$10bn, which would make Japan the largest supplier of aid in the world, exceeding the US budgeted figure of \$9.5bn.

Meanwhile, the criticisms of the quality of Japan's programme, far from abating, have actually increased. Recipients of Japanese loans, for example, are confronted with having to repay in revalued yen, and they are demanding relief.

The major overhaul in the works is intended to deal with all of these problems. Foreign ministry officials say that Mr Takeshita will set specific targets on volume increases in overseas aid when he unveils the plan in Toronto.

The Foreign Ministry is lobbying hard for a target of 0.4 per cent of GNP, which would put Japan in line with the European Community average.

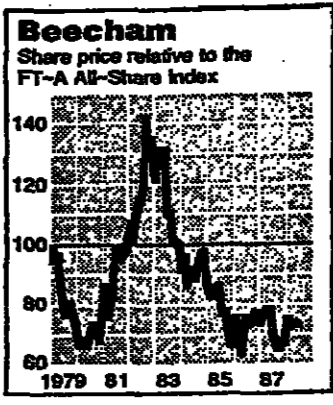
However, the Ministry of Finance is nervous that, because of the high rate of Japan's economic growth, this would mean committing more money to overseas aid in the next few years than could be prudently managed.

The Government also plans to raise the proportion of grant in the overall aid programme - in 1986 it was 81.7 per cent compared with an average of 82 per cent in the industrialised countries; make a large portion of aid untied; reduce the interest rates on yen loans; provide relief for debtors affected by the yen's rise.

THE LEX COLUMN

BT pleases some of the people

With 22m customers, a workforce of 230,000 and annual sales of over £100m per annum, a 10.9 per cent rise in British Telecom's annual pre-tax profits to £3.5bn, was hardly going to please everybody. To the workforce, which accounts for nearly half BT's £7.5bn operating costs, the profits give a clue to the sort of wage increases they might be able to look forward to in the coming year, but for customers there must be a certain suspicion that if the company had earned a little less, its quality of service might have been a bit better.



BT is in the uncomfortable position of knowing that however well it does, it will displease some of its constituents, especially during a period when its pricing structure is under review by OfTel. Consequently, shareholders should realise that its latest profit figures are not for their consumption alone, and there must be a certain satisfaction that were it not for the presence of OfTel and the embarrassing level of complaints, the earnings and dividend would have been higher, and the shares would not be trading at a discount of around a fifth to the market.

Fortunately for BT, its efforts substantially to improve its quality of service have been cushioned by a formidable rise in its underlying business over the last 12 months, with growth rates of 8 per cent and 14 per cent for domestic and international calls, respectively. This has enabled it to swallow a 10 per cent plus rise in staff costs. This sort of traffic growth is unlikely to continue in the current year, but the main impetus is the outcome of the OfTel discussions, assuming that these are settled favourably, and a reference to the MMC is avoided, the shares should move higher.

French takeovers

The rival bids by Thorn and Emess for a French lighting company are the clearest sign so far of what a shambles 1992 will be unless some kind of common practice can be agreed for the conduct of takeovers. At the moment companies straddle two markets at their peril - as Emess has discovered. It has made a rights issue in London on the strengths of irrevocable undertakings by Holophane shareholders in Paris, only to discover that those undertakings could be anything but. Yesterday's counterbid from Thorn EMI shows that it, for one, believes that in France such agreements

can be bought off by a 15 per cent increase in the offer price. The whole issue will probably be decided by the French courts; but it is hard to see how Paris can hope to become a major financial centre if promises are not made binding.

Beecham

There are two ways of looking at Beecham's performance. Either the company is pacing itself in order to ensure that it can deliver consistent annual earnings growth in excess of last year's 16.3 per cent, or the new management team is taking longer than expected to restore the group's former momentum. Until the answer is clearer, the shares - currently trading on a prospective multiple of a shade under 13 - may find it difficult to maintain their premium rating. While foreign exchange movements knocked £24m off the pre-tax level, changes in financing charges accounted for the bulk of the reported 15 per cent rise to \$406.5m in full year pre-tax profits. Meanwhile, an 11 per cent rise in underlying sales is hardly the sort of figure that will impress investors who like to think of Beecham as a growth company.

BAA

The City thinks regulated utilities are so dull that it is forever trying to present BAA in a more fashionable guise. At the first sight of it selling teddy bears at Gatwick North, the market toyed with valuing the utility as a retailer; whereas BAA's recent purchase of a smallish property company has set everyone constructing likenesses with Associated British Ports.

Yesterday's announcement shows the folly of such comparisons, and demonstrates that the "dull" business of operating airports can produce profit growth of over 30 per cent. Admittedly, this year will be less good, as the new terminal at Gatwick may cost an extra £13m, and the great 15 per cent increase in traffic last year should return to a more normal 6 per cent or so. Even though reported pre-tax profits could well show another big rise to about £18m, some £16m will be due to a new policy of capitalising interest. As a private company, BAA can do as much window dressing as it chooses; shareholders should only take note that quality of earnings have been traded for quantity.

Meanwhile, yesterday's revelation that the amount of property available for development is a mere 474 acres, much of which is on Prestwick's doorstep, was disappointing to those who were already thinking of BAA as a property company. As a standstill utility, BAA is on a multiple about 20 per cent higher than the market, perhaps a bit more than is justified by its monopoly in a gently growing market. But while it may not yet be a retailer, a consultant, a hotelier or a property group, such opportunities probably justify any extra pennies on the share price.

Britain will urge action on African debt crisis

By Philip Stephens in London

A FIRM plan of action to ease the debt burden of sub-Saharan Africa will be a key British objective at this month's world economic summit in Toronto, Mr Nigel Lawson, the Chancellor of the Exchequer, said yesterday.

In a move aimed at regaining the initiative in efforts to help some of the world's poorest countries, Mr Lawson said it was essential to not merely give them more time to repay debts but also actually to reduce the burden.

Mr Lawson welcomed recent statements by President Mitterrand of France and by Mr James Baker, the US Treasury Secretary, which he said suggested that a consensus on the need for action was emerging.

Earlier this week, Mr Mitterrand said that France was prepared to write off one-third of the debt of around 20 of the poorest nations as part of a three-point plan to restore them to solvency. The Canadians and West Germans have also indicated that they would like to share in the credit for any deal at the summit.

Mr Lawson, who launched his own three-point debt relief programme 14 months ago, is keen to ensure that the seven summit nations agree a specific proposal rather than simply issue a commitment to increase assistance.

Britain's suggestion is that the Paris club of creditor nations write off aid loans, introduce longer repayment periods for other official loans, and reduce interest rates on such debt to 3 per cent below market rates.

The proposed interest rate reduction has provoked objections among other Western governments, notably West Germany and Japan, and Mr Lawson now appears to accept that either debt write-offs or increased aid payments could provide an alternative.

Africa's total outstanding debt to western creditors is put at around \$200bn, with perhaps \$110bn of that owed by the poorest sub-Saharan African nations.

EC to examine US restrictions on imported farm products

BY TIM DICKSON IN BRUSSELS

GROWING TENSIONS which surround efforts to reform world agriculture burst out into the open again yesterday when the European Community suggested that long-standing US restrictions on imported sugar, dairy and other farm products might be contrary to international trade rules.

Mr Willy de Clercq, Commissioner for External Relations, announced in Brussels that the EC wanted to examine US exemptions under the General Agreement on Tariffs and Trade, "to check that the way they are being applied is in line with the original aim."

The US exemptions, or "waivers," were negotiated in 1955, enabling the US to impose import quotas for certain agricultural commodities, including cotton and groundnuts, as well as dairy products and sugar. The EC now wants to "clarify" whether such protection, especially for sugar, has led to an increase in domestic subsidies and substantially built up US production in a way

not intended when the rules were framed.

The move significantly raises diplomatic tensions when the world's major trading partners are looking to the December mid-term review for significant progress in the current Uruguay round of the Gatt negotiations.

The timing appears to have been largely inspired by anger in Brussels at the US Government's recent attempt to establish a Gatt panel on the American Soybean Association's complaint that European subsidies have caused a \$1.4bn decline in US soybean and soyabean meal sales to Europe. That was blocked last month by the EC, but the issue is likely to flare up again next week when the US is expected to repeat its demand at a meeting in Geneva.

Mr De Clercq claimed that, despite the EC's recent efforts at agricultural reform, the US was "generally negative." He denounced Washington's refusal to negotiate short-term measures in the context of the Uruguay

Round, the increase in US export subsidies and the reduction of the set aside scheme whereby farmers receive payments for taking land out of production.

Mr Alfred Kingon, US Ambassador in Brussels, hit back last night, saying that while Washington would happily look at each complaint made by the EC he "wished the Community would do the same for us on soybeans."

He described Mr De Clercq's remarks as "frankly disappointing" and insisted that the US would talk about anything in the Gatt round. Referring to the US demand for an end to all farm subsidies by the end of the century he added: "We are not prepared to get into disputatious arguments and watch the vision of long term agricultural reform slide away. The President wants to leave his mark on agricultural reform and the window between now and the mid-term review of the Gatt in December is a perfect opportunity."

Brussels slow on takeover action

Continued from Page 1

Monetary System and full membership of it by all EC countries were essential steps towards this goal.

Lord Blakenham, chairman of the Financial Times and of Pearson, its parent company, applauded Lord Cockfield's vision and said the FT was changing to take advantage of a single European market.

It was looking to acquire substantial stakes in national business newspapers, in addition to the majority interest it had recently purchased in Les Echos, the leading French financial daily.

He also expressed impatience at the British Government's hesitation about making sterling a full member of the EMS. "The Government's decision on when the time would be ripe for full membership remained a most pertinent question."

OECD recession warning

Continued from Page 1

contraction in European exports which would trigger "a significant slowing in growth or even a recession."

The Organisation said that such an outcome could not be ruled out if, in the absence of further policy actions, the process of adjustment left solely to the foreign exchange markets.

It makes it plain that the US will have to shoulder most of the responsibility for the necessary adjustment. It was "essential" that the US Government persevere with the reduction of its

OECD recession warning

Continued from Page 1

budget deficit and that specific measures for 1989 and beyond be adopted.

US savings needed to be boosted and it was also essential that the US Government hold firm to its commitment to open markets for international trade.

"We the experts that process made in reducing the federal deficit and raising private savings, the risk of inflationary pressures originating in domestic markets or from any renewed downward pressure on the dollar would be eased," it says.

Palestine issue takes centre stage

Continued from Page 1

human rights in areas under military occupation; and a complete halt to Israeli settlement building in the territories. It also promises financial support to "sustain and escalate" the uprising, though without specifying amounts.

Nato chief warns West

Continued from Page 1

noting destabilisation. Ministers were generally optimistic about prospects for a "balanced outcome" at the Conference on Security and Co-operation in Europe and for a mandate emerging soon for a new set of Conventional Stability Talks, aimed at cutting non-nuclear forces and correcting current Warsaw Pact superiority.

Nato chief warns West

Continued from Page 1

human rights issue, this was not yet reflected at negotiator level.

Mr Roland Dumas, the French Foreign Minister, who left the meeting early in order to defend his National Assembly seat in the general election, was understood to have proposed Paris or Geneva for the new talks rather than Vienna, site of the current CSCE talks and of the ill-starred Mutual and Balanced Force Reduction negotiations.

World Weather

Location	Temp	Wind	Cloud	Pressure	Humidity	Visibility
Amman	18	10	10	1010	65	10
Amsterdam	15	15	10	1015	75	10
Antwerp	15	15	10	1015	75	10
Athens	25	10	10	1015	65	10
Bahia	28	10	10	1015	65	10
Bangkok	30	10	10	1015	65	10
Bombay	30	10	10	1015	65	10
Buenos Aires	18	10	10	1015	65	10
Calcutta	30	10	10	1015	65	10
Cardiff	15	15	10	1015	75	10
Chennai	30	10	10	1015	65	10
Copenhagen	15	15	10	1015	75	10
Dublin	15	15	10	1015	75	10
Hong Kong	28	10	10	1015	65	10
London	15	15	10	1015	75	10
Madras	30	10	10	1015	65	10
Manila	30	10	10	1015	65	10
Mumbai	30	10	10	1015	65	10
New York	18	10	10	1015	65	10
Osaka	25	10	10	1015	65	10
Paris	15	15	10	1015	75	10
Perth	15	15	10	1015	75	10
Port of Spain	28	10	10	1015	65	10
Rangoon	30	10	10	1015	65	10
San Francisco	15	15	10	1015	75	10
Singapore	30	10	10	1015	65	10
Sydney	15	15	10	1015	75	10
Taipei	25	10	10	1015	65	10
Tokyo	25	10	10	1015	65	10
Wellington	15	15	10	1015	75	10
Yokohama	25	10	10	1015	65	10



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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

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Texas oilmen drop \$1.6bn takeover attempt of USG

BY JAMES BUCHAN IN NEW YORK

MR CYRIL WAGNER and Mr Jack Brown, two Texas oilmen who have been attempting to take over USG, yesterday dropped their \$1.64bn offer for the big Chicago-based oilfield products group.

Their decision, which follows a series of rebuffs from USG's management and stockholders, means that the big geyser and well-head company has escaped its second corporate raid in two years. Under Mr Robert Day, chief executive, USG in 1986 bought out an unwelcome shareholding assembled by the Beirbey family of Canada.

But the brush with the two Texans will leave USG heavily in debt. To win shareholders away from the Texas offer, USG plans to borrow heavily against its business to finance a \$1.4bn cash payout to shareholders.

Desert Partners, the limited partnership formed by the two men, said yesterday it was dropping its cash tender offer for 38m shares or 76 per cent of USG. The group, which owns about 10 per cent of the company, said it still believed it would be desirable to gain control.

But the group, which has been stalking USG since at least last

October, lost a proxy fight to put its own directors on USG's board last month and was unable to proceed with its offer because of a "poison pill" defensive company by-law.

USG's shareholders are expected to vote in favour of its management's recapitalisation plan next month. The plan involves leveraging the company, which had sales of \$2.5bn last year, to pay shareholders a special dividend of \$37 a share in cash and \$5 in a low-grade security.

USG stock fell 3% to \$45 1/2 in response to the announcement by Desert Partners.

Pan Am threatens union with assets sale

By Anatole Kalotky in New York

PAN AMERICAN, the struggling US international airline, yesterday took a further step towards an all-out confrontation with its 21,000 employees by threatening to sell aircraft, terminal facilities, routes and other assets "without limitation" if unions rejected pay cuts worth \$180m a year.

Pan Am's annual threat came in the form of a boardroom vote on a financial survival plan in the event of a stalemate in its negotiations with the unions. The board could "not wait any longer to put together some alternative plans in the event that labour concessions are not forthcoming," the company said.

So far, Pan Am has signed labour concession agreements with only two of its unions, representing pilots and flight engineers. These would provide about \$70m of annual savings.

Kenneth Gooding meets Peter Munk, American Barrick chief US gold miner digs into ConsGold

MR PETER MUNK, chairman of American Barrick, which was set up just five years ago but is now one of North America's top 10 gold producers, talked yesterday about his company's recent decision to buy 2.5m shares, currently worth about \$31m (\$55.8m), in Consolidated Gold Fields, the UK-based mining, finance and industrial group.

He said the ConsGold share price was firmly underpinned by good assets and, on the upside, there was the likelihood of the UK group becoming a bid target.

If a takeover attempt was made, there would be a tremendous battle, Mr Munk predicted. He said that Minoro, the investment arm of the Anglo American Corporation of South Africa, owned 28 per cent of ConsGold, which in turn controlled 49 per cent of Newmont Mining, a company rapidly on its way to becoming North America's biggest gold producer.

Mr Munk said similar arguments applied to American Barrick's purchase of 3.5m

shares in Lac Minerals, one of Canada's largest gold producers. The ownership structure of Lac suggested it was also likely to be a takeover target.

American Barrick made its first foray into ConsGold shares last year when it bought a 4.9 per cent shareholding and then sold again in March. There were strong rumours at the time that a consortium had been put together in London to back a bid for ConsGold by American Barrick, but Mr Munk refused to discuss that yesterday except to say that his company had made a small profit, "about \$10m," on the deal.

He pointed out that ConsGold had asked for a UK Department of Trade and Industry inquiry into the way his company had built up its shareholding and the outcome of that investigation was still awaited.

American Barrick has a vested interest in Newmont Mining's future because they have neighbouring properties on one of the world's richest gold deposits, the Carlin Trend in Nevada.

As a result of a deep drilling programme at its Goldstrike property on the Carlin Trend, American Barrick has increased its gold reserves from 3.5m ounces in 1986 to 15m ounces - the fourth-largest known reserves in North America.

It has a joint venture with Newmont for development work on one deep deposit, called the Post, and together they might dig a giant open pit to extract the gold.

Last year American Barrick's six operating mines, including surface mining at Goldstrike, produced 225,000 ounces of gold and this year the total is expected to rise to 225,000 ounces. From 1990 onwards, the company expects to be producing at least 750,000 ounces a year from Goldstrike alone, and possibly 1m ounces.

Although American Barrick is flush with cash - it has \$277m plus quoted investments of \$105m - it will use project finance for the \$250m to develop Goldstrike, said Mr Munk.

This was partly to give American Barrick, a young company, more credibility by showing that cautious banks were willing to back it with large sums of money.

At the same time, "in these dangerous equity markets, gold companies are well-advised to have a few millions in cash available" because another sustained slump in share prices would possibly present some takeover bargains, said Mr Munk. He made it clear, however, that his company was not interested in small acquisitions. "We want to make a quantum leap," he said.

American Barrick's cash production cost last year averaged \$247 an ounce of gold, but this is likely to drop to \$230 as Goldstrike is developed. The company has locked in profitability by buying put options on 880,000 ounces of gold at an average of \$420 an ounce and financing these by selling call options on 330,000 ounces at an average call price of \$558, with expiry dates in both cases varying over the next three years.

Seagram jumps 40% in quarter

BY DAVID OWEN IN TORONTO

SEAGRAM, the Canadian wine and spirits company which recently acquired Martell of France and Tropicana, the US fruit juice maker, for more than \$2bn, yesterday reported a sharp 40 per cent increase in first-quarter income.

The advance was due entirely to the company's 22.9 per cent stake in E.L. du Pont de Nemours, the US chemicals company.

For the three months ended April 30, the Montreal-based company had net earnings of US\$182.5m or \$1.65 per fully diluted share against \$114.9m (\$1.17 a share) in the corresponding year-earlier period.

Sales rose by 12.6 per cent

to \$336.8m versus \$302.1m in 1987. First-quarter figures include interest expenses associated with both the Martell and Tropicana acquisitions, together with Tropicana's results over a three-week period.

The key to the company's strong performance was a doubling in unremitted earnings from the Du Pont stake.

This item contributed \$85.6m to Seagram's bottom line - up from just \$41.8m a year ago.

After tax, dividends from Du Pont were worth a further \$43.4m against \$39.5m in 1987.

Taking both items into account, Seagram's investment in US chemicals contributed almost

four-fifths of the group's first-quarter profit.

Income from beverage operations declined marginally to \$34.1m from \$34.6m in the comparable period last year.

The company noted that strong international unit sales made an important contribution to beverage-related income.

At the group's annual meeting in May, Mr Edgar Bronfman, the chairman, said that Seagram was looking to the Pacific Rim to generate future sales growth.

North America, he said, would probably account for less than 50 per cent of Seagram's total sales volume this year.

Shareholders vote for Amoco merger

BY DAVID OWEN IN TORONTO

SOME 15 months after the bid was originally disclosed, shareholders of Calgary-based Dome Petroleum have finally approved the \$5.5bn (\$84.5bn) sale of the beleaguered energy group to Amoco Canada.

The company's common and preferred shareholders this week voted 87.7 per cent in favour of accepting the longstanding Amoco offer after a tumultuous five-hour meeting.

Their verdict leaves the way clear for the Alberta Court of Queen's Bench to rule on the fairness of the deal next Monday. If approved, the merger will transform Amoco Canada into one of the largest petroleum producers

in Canada.

According to the company's latest annual report to the SEC, Dome's overall liabilities have risen to C\$6.6bn, including C\$5.58bn in debt. Like others in the Canadian energy patch, the company borrowed heavily to fund an ambitious expansion programme in the early 1980s.

For the three months ended March 31, Dome lost C\$111m on revenues of C\$400m.

In early morning trading on the Toronto Stock Exchange yesterday, the company's stock rose 1 cent to C\$14.0 a share. This followed a 10-cent gain on Wednesday when Dome was the most actively traded stock

Strong growth seen by Gulf + Western

BY OUR NEW YORK STAFF

GULF + WESTERN, the high-flying New York conglomerate, expects earnings growth of up to 13 per cent and another record year in 1988, thanks to strong performance in its publishing and finance businesses and the runaway success of its film, Crocodile Dundee II.

Gulf + Western, whose stock has risen almost 20 per cent in the past three weeks, reported net income of \$33.5m or 45 cents a share in its second quarter to April, on revenues of \$1.15bn.

The second-quarter performance was only marginally ahead of the 1987 second quarter, when Gulf + Western booked earnings of \$32.7m or 43 cents a

share on revenues of \$991.9m.

The group said that earnings from television, film exhibition, publishing and the consumer and leasing finance business increased, but Paramount, the film studio, made a lower contribution. Gulf + Western said that strong international receipts for the film Fatal Attraction in the second quarter of this year could not compete with last year's blockbuster such as Star Trek IV and The Golden Child.

Since the quarter ended, Crocodile Dundee II has opened to spectacular success, grossing more than \$50m at the box office in the first two weeks.

Policies push Thorn and Ericsson apart

BY TERRY DODSWORTH IN LONDON

THORN EMI's withdrawal from its joint venture with Ericsson in telecommunications equipment manufacturing is the result of changes in the direction of both companies over the past few years.

For Thorn, this reorientation has led to a steady disposal programme since 1985. When the group ran into financial trouble after a period of over-expansion.

Since then, it has sold its cinema business, abandoned its ambitions to become a leading player in the video field, disposed of its domestic appliance activities, and pulled out of television and video cassette recorder manufacturing.

With a joint venture that has outlived its usefulness.

The Swedish company has itself been rationalising and reorganising over the last few years, leading to a big shift in Ericsson's geographical sales, of which 70 per cent now go into Western European countries as opposed to 50 per cent five years ago.

Last year, it pulled off a significant coup when it gained entry to the French public telephone exchange market; the takeover of the whole of Thorn Ericsson gives it sole responsibility as the second supplier in the UK in competition with Britain's GPT consortium of Plessey and the General Electric Company.

Citizens Financial sees growth

By James Dunton in Edinburgh

CITIZENS FINANCIAL, the Rhode Island-based bank being acquired by Royal Bank of Scotland, expects to continue to expand by acquisition and to more than double in size in the next five years, Mr George Graboyes, the bank's president and chief executive, said yesterday.

Royal Bank of Scotland, the Edinburgh-based financier, agreed in April to buy Citizens for \$440m. The deal is expected to complete all its approval procedures by the end of November.

Citizens is a regional bank with 30 branches in Rhode Island and loan production offices in neighbouring New England states.

Move to break Polysar and Nova impasse

By Robert Gibbons in Montreal

MR ANDREW SARLOS, the Toronto investment manager, is leading a group of institutions trying to break the impasse between Nova Corporation and Polysar Energy and Chemical. They are proposing to sell their Polysar stock to Nova at C\$17 (US\$13.50) a share.

Nova already has a 25 per cent voting interest in Polysar, and failed to get four of its nominees into the Polysar boardroom at last month's annual meeting. Nova, a major western energy and chemicals group, had been fighting for six months to gain control of Polysar.

Its 51 per cent stake in Thorn Ericsson was an obvious contender for divestment as well. Under its present management team, the company has put heavy emphasis on activities which are already established overseas, or which have the potential to be developed into international businesses.

Thorn Ericsson satisfied neither of these criteria, because it was set up specifically to serve the UK market.

At the same time, Thorn had no real control over the destiny of the joint venture, first established in 1973.

It will also give the group greater flexibility in moulding the future of the British business.

The deal also illustrates the steady opening up of the UK telecommunications market to foreign suppliers.

When Thorn Ericsson won its bid to become a supplier of digital exchanges to British Telecom three years ago, the name of Thorn was an important component in gaining the upper hand over other foreign competitors.

In the past two years, its assets have risen from \$1.9m to \$2.6bn. Last year, it made pre-tax profits of \$43.6m.

Mr Graboyes, who was in Edinburgh, said that Citizens, which has grown by acquisition in the recent past, expected to expand further in the same way.

It was legally permitted to make acquisitions in the New England states.

He expected that by the time it had fulfilled its ambitions in New England over the next five years, banking regulations would have been further liberalised to allow to expand elsewhere in north-eastern US.

He anticipated that it might have assets of \$5bn or \$7bn in five years. The takeover had strengthened Citizens' competitive position in Rhode Island.

Despite its 51 per cent shareholding, the UK company was in a commercial sense the junior partner since the technology in the business came from Ericsson, one of the world's leading telecommunications groups.

Ericsson similarly has recently been showing signs of dissatisfaction

with a joint venture that has outlived its usefulness.

The deal also illustrates the steady opening up of the UK telecommunications market to foreign suppliers.

When Thorn Ericsson won its bid to become a supplier of digital exchanges to British Telecom three years ago, the name of Thorn was an important component in gaining the upper hand over other foreign competitors.

Today, the British market is known as one of the least protected in the world.

Ericsson is not saying as yet how much it will be paying for Thorn's stake.

But analysts believe it will be about \$30m to £70m - an adequate return, they say, for Thorn, and a reasonable sum for Ericsson to be paying for sales of about £150m (\$235m) a year.

Bulk of Barlow Clowes funds 'transferred'

BY NICK BUNKER IN LONDON AND JOE GARCIA IN GIBRALTAR

LIQUIDATORS of Barlow Clowes International (BCI), the deeply troubled Gibraltar fund manager, have so far located on the Rock only about £1m or £2m out of an estimated £182m (\$292m), owed to about 11,000 investors.

The rest is thought to have been transferred to the Channel Islands, to another of a string of investment companies founded by Mr Peter Clowes, said Mr Nigel Hamilton, a partner of Ernst & Whinney, BCI's provisional liquidator.

strengthen their investor protection laws. A new law incorporating certain provisions of the UK's Financial Services Act, was "at a very advanced stage", Mr Eric said. This would mean that the Rock's parliament in the autumn after the summer recess, he said.

The Barlow Clowes crisis appears to be providing fresh impetus to the introduction of new controls.

Mr Joe Bossano, the Rock's chief minister, said: "The Barlow Clowes experience does not do us any good, although it is not particularly damaging because the company was not Gibraltar-owned, but UK-owned."

associate of Barlow Clowes Gilts Managers, the UK investment company now being wound up by the authorities in London.

Mr Hamilton said he thought the rest of the £182m BCI had flowed into another Clowes company, Barlow Clowes and Partners (Jersey). This was not unexpected, he said, because the Gibraltar company was chiefly a marketing outlet. But he added: "We are rather fighting in the dark, because we don't have records for the Jersey company."

These are thought to be with Mr Clowes himself, whose whereabouts were uncertain yesterday, although it is known that he is not in Gibraltar. Mr Paul Gordon Saker, his London solicitor, did not return repeated telephone calls yesterday.

Mr Hamilton said Ernst & Whinney would now take steps to obtain the Jersey company's records. "We can get various orders through the courts," he said.

Mr Hamilton said he was also seeking to take possession of the *Boukaptalas*, a luxury yacht moored at a Spanish harbour. Asked whether he could do so without firm proof of the yacht's ownership, Mr Hamilton said: "I'll have a damn good try. If you take the view that it forms part

of the assets then we ought to be able to get hold of it."

The *Boukaptalas* is thought to have formed part of a category of assets of "problematic value" referred to in the winding-up petition for BCI, which was submitted to the Gibraltar Supreme Court on Tuesday.

The petition said BCI's assets consisted "partly of other investments, in real property, investments and otherwise, some of which are of problematic value and not easy to collect within a short period of time."

In a separate development, a Gibraltar barrister Mr Louis Triay QC, representing some Barlow Clowes investors from the UK, will be seeking the appointment of receivers in the Rock's Supreme Court this afternoon, as an alternative to the appointment of liquidators which has already taken place. Appointing receivers could allow BCI to stay alive as a going concern.

But Mr Charles Gomez, the Gibraltar barrister acting for James Ferguson plc, said he had misgivings about having receivers being appointed because it would increase administration costs which were already bound to be high.

Local observers believe that British expatriates living on the Costa del Sol in Gibraltar's Spanish hinterland may have invested about £2m, lured in by the attractive returns advertised by BCI locally. Some people have arrived in Gibraltar crying at the prospect of losing their life savings.

The stipules of the affair locally drew officials on the Rock to stress that they were planning to

strengthen their investor protection laws. A new law incorporating certain provisions of the UK's Financial Services Act, was "at a very advanced stage", Mr Eric said. This would mean that the Rock's parliament in the autumn after the summer recess, he said.

The Barlow Clowes crisis appears to be providing fresh impetus to the introduction of new controls.

Mr Joe Bossano, the Rock's chief minister, said: "The Barlow Clowes experience does not do us any good, although it is not particularly damaging because the company was not Gibraltar-owned, but UK-owned."

"I would like to have been worse if Gibraltar's professional people had been involved."

Confirmation that only a small portion of the £182m invested with BCI remains in Gibraltar emerged yesterday as Ernst & Whinney completed its first day of investigations into BCI's affairs.

The firm was formally appointed as provisional liquidator late on Wednesday evening, following a decision to wind up the company taken on Tuesday by BCI's British parent James Ferguson Holdings. BCI is an

This announcement appears as a matter of record only.

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CIC GROUP

April, 1988

INTERNATIONAL COMPANIES AND FINANCE

CARRS MILLING INDUSTRIES PLC

Interim Statement

	6 Months ended		Year ended
	27th Feb. 1988	28th Feb. 1987	28th August 1987
Sales	£'000	£'000	£'000
Less inter-company sales of products for re-processing	5,824	5,107	11,656
Sales to external customers	35,143	34,927	67,084
Profit before taxation	990	904	2,082
Estimated taxation	260	80	184
Profit after taxation	730	824	1,908
Extraordinary item	—	—	129
Net profit attributable to the Group	730	824	1,779
Earnings per Ordinary Share	10.8p	13.1p	29.6p

The Directors announce unaudited Group profits before tax of £990,000 for the six months ended 27th February, 1988, an increase of 10% when compared with the profits for the six months ended 28th February, 1987 of £904,000.

Our animal feed manufacturing business and the agricultural merchants made a good contribution to Group profits together with flour milling which responded well, following the poor harvest last summer. The baking and engineering companies made steady progress. The chicken processing and egg laying operations have been and continue to be affected by low prices which will impact on overall results for the year as a whole. Trading in the remainder of the Group is encouraging.

Taxation in the 1987 interim comparable figures has been restated to reflect the actual tax charges. Estimated taxation for the six months ended 27th February, 1988 is higher, reflecting the reduction in tax losses brought forward from previous years.

The Board has declared an interim dividend of 1.75p per share (interim dividend 1987 1.75p per share) on the Ordinary Share Capital of the Company. The interim dividend which will cost £120,000 will be paid on the 8th July, 1988 to shareholders on the Register on the 23rd June, 1988.

A copy of this interim report is being posted to all shareholders and is also available at the Registered Office of the Company.

Carlisle, 9th June, 1988 Ian C. Carr (Chairman)

Carrefour hostilities with Castorama end in partnership deal

BY PAUL BETTS IN PARIS

ONE OF the longest running French takeover sagas had a happy ending yesterday when Carrefour, the large French hypermarket group, and Castorama, the country's leading chain of do-it-yourself stores, decided to patch up their differences and become partners.

It all started 10 years ago when hostile takeovers were still a rare phenomenon in France. After acquiring a 25 per cent interest in Castorama in 1978, Carrefour rapidly increased its stake to 47 per cent.

But Castorama had no intention of being consumed by the huge hypermarket chain whose sales last year totalled FF56.5bn (\$9.7bn). Its founders formed a holding company called Dubois Investissements to group together a 53 per cent majority shareholding in Castorama and block Carrefour's predatory moves.

The situation was in a stalemate for several years until a new generation of managers arrived at Carrefour and conversations were launched two years ago between the two groups to try to end the impasse.

The arrangement finally reached yesterday was engineered with the help of Crédit Commercial de France (CCF), the banking group.

It involves a FF450m share transaction whereby Carrefour will sell to Dubois its stake in Castorama. This will increase Dubois' control of the DIY chain from 53 per cent to about 95 per cent.

In exchange, Carrefour will acquire a 33 per cent stake in the Dubois holding company through a capital increase.

But with domestic growth opportunities shrinking, Castorama needs to expand in Europe. It is planning to open a store in Milan this year and is negotiating to open a store in West Germany. The company is also keen to invest in Spain.

During the last three years, Carrefour has made a number of alliances with groups involved with specialty retailing in sectors ranging from furniture to shoes. Mr Michel Bon, Carrefour's managing director, said relations with these partners had been harmonious up to now.

Haig Simonian on obstacles to a smooth merger of two German banks

Landesbanken face rocky marriage

MR HERBERT Kammerzack, the chief executive of Hessische Landesbank (Helaba), West Germany's 11th largest bank, is not a man prone to hyperbole. So when he admitted publicly last month that his bank was in merger talks with Westdeutsche Landesbank (WestLB), its bigger neighbour based in Düsseldorf, many were surprised.

In fact, it was less than a revelation. The two institutions have been looking carefully at a marriage for months. If it comes off, it would be the first, and most important, step in a likely courtship round among Germany's Landesbanken that could reduce the present 11 to about five banks at most.

Talk about mergers between Landesbanken, which are jointly owned by state governments and regional savings organisations, is nothing new. But while many organisations have already married off WestLB and Helaba, few have looked carefully at the intricacies of a match.

On the surface, a link between WestLB, Germany's biggest Landesbank and its fourth biggest bank overall, and Helaba is a marriage made in heaven.

The banks are based in two of the country's most important and central states, which conveniently adjoin. Helaba's key Frankfurt location is a useful counterbalance to the weight of WestLB, which, with total assets of DM152.5bn (\$69.2bn), is slightly more than twice as big.

More important, it looks as though the two state governments of North Rhine Westphalia and Hesse, which could easily scupper a deal if they chose, are in favour.

The apparent lack of political obstacles between a Social Democrat administration in North Rhine Westphalia, WestLB's home, and a Conservative one in Hesse contrasts with the past, when tentative feelings between the two banks were said to have been blocked politically at a time when both states were Socialist.

Many of the arguments now being submitted to support a union are familiar. Most bankers



Friedel Neuber emphasised WestLB's need to grow

believe that size has become increasingly important in German banking, and few more so than Mr Friedel Neuber, WestLB's chief executive. Earlier this month, he emphasised WestLB's need to grow even if its talks with Helaba fell through.

The need for size is twofold. The Landesbanken, which are umbrella organisations for regional savings banks, are being squeezed from both the top and bottom. While competition from the country's big private-sector banks has grown, the biggest savings banks are increasingly looking to poach business from their Landesbanken.

Thus savings banks in North Rhine Westphalia, including powerful institutions like the Cologne and Düsseldorf City Savings Banks, want to change the law which forbids them from conducting certain sorts of business, like equity trading, currently reserved for the Landesbanken.

Says one observer: "Many of the biggest savings banks should be seen as substantial regional banks in themselves."

While such market pressure is not new, the prospect of 1992 has sharpened thinking at many Landesbanken and made them increasingly marriage-minded.

In post-1992 Europe, neither

Helaba nor WestLB thinks it has the muscle to compete alone with the biggest banks. The question is whether to join forces and form Germany's second biggest bank, only trailing Deutsche Bank, or risk being relegated to regional niche players.

A merger certainly seems to make strong business sense. Both banks had their fingers badly burned in the 1970s and 1980s, though for different reasons, and as a result now have complementary structures.

Helaba came close to disaster in the mid-1970s after heavy building loans turned sour when the Government tightened monetary policy and investment in bricks and mortar was no longer such a good hedge against inflation. It had also taken on some heavily participations in an ill-advised race for growth.

WestLB's troubles came slightly later, with domestic problems at groups like ARG, DAL and Nene Heimat, where the bank was heavily committed. This was followed by the international debt crisis, where WestLB's generous lending, especially in the case of Mexico, put the bank under pressure.

WestLB suspended dividend payments for a number of years as profits were ploughed back into reserves. It only started paying back its shareholders in 1985.

Helaba's balance sheet was viciously purged by Mr Heinz Sippel - ironically a former WestLB board member who was brought in to clean up the bank.

Says one banker: "It was an enormous feat of strength, but he may have gone too far." As a result, the bank has turned extremely cautious in recent years, with "riskier" or more innovative areas like investment banking and securities downplayed. On the other hand, its sovereign debt exposure is limited and is probably very well provisioned, while its credit business is very solid.

It is a different picture at WestLB, the size of which allowed it to carry on growing in spite of its troubles. Fixed-income trading and treasury in general are two strengths, as is building

finance. But it is international business and investment banking, pushed particularly strongly in the 1980s, where the fit with Helaba is best.

Developing both areas has been expensive, and it is not yet clear whether WestLB generates enough business on its own to sustain them in the long term.

What then are the problems? Surprisingly, organisations rather than egos seem to be the prime handicap. The banks have different computer systems, while up to 2,000 jobs could go following a merger.

The importance of efficient management information systems should not be underestimated. Some WestLB old-timers recall how long it took for the bank to settle after a fusion because of two constituent parts back in 1969.

One banker even suggests that the distraction caused at the time, along with inadequate management information about the merged unit, lay partly to blame for its subsequent difficulties in the 1980s.

Thus it is argued that matching up WestLB and Helaba - a much bigger proposition than would be the case with a merger of two banks of similar size - would pose huge amounts of management time just when executives should be concentrating on the challenges of the European Community's free market in services after 1992.

North Rhine Westphalia, facing a writer of problems in traditional industries like coal and steel, would have to work hard to avoid the impression of "losing" its Landesbank to Frankfurt. Some might even press for living off WestLB's regional development activities into a separate regional development bank.

Such consideration may make the two banks shy of a full merger to begin with, and persuade them to look at less ambitious options like a jointly-owned Frankfurt subsidiary.

Either would be less than what WestLB's Mr Neuber, in particular, has in mind, but the analyses and discussions now taking place may yet counsel a more cautious approach to the altar.

Foreign operations boost turnover at Plate Glass

BY JIM JONES IN JOHANNESBURG

PLATE GLASS & Shatterproof Industries, the South African glass and building materials distributor, lifted sales by more than a third in the year to March, helped by foreign operations which contributed almost two thirds of turnover and half of the consolidated earnings.

Turnover increased to R2,328m (\$1bn) from R1,658m and the pre-tax profit was R174.0m against R115.5m.

The directors say the local glass and wood products divi-

sions produced results which were ahead of budget.

Outside South Africa, cautious sales forecasts were made after last October's stock market collapse. However, group trading companies ended the year on a strong note, the board reports.

The rand's progressive weakness enhanced export opportunities. Net earnings increased to 401 cents a share from 305 cents and the year's dividend has been increased to 188 cents from 145 cents.

Goodman sells two NZ units

By Our Financial Staff

GOODMAN FIELDER Wattie, the Auckland-based food and beverage group, has found Australian buyers for two New Zealand units, bringing near to completion a disposal programme which the Commerce Commission in Wellington made a requirement of its recent merger.

The group sold its Wellington Flour Mills to Allied Foods, a local arm of George Weston, an Australian-based food producer. Fermentation Industries NZ, an Auckland yeast maker, has gone to Beverage Services, a division of Burns Philp, the Sydney trading company. On neither deal was the price disclosed.

Goodman Fielder has until June 30 to complete its divestments after failing to meet an initial mid-April deadline. The company blames the commercial environment in New Zealand for the delay, but says only a small flour mill in Invercargill remains to be shed.

The Commerce Commission is, however, continuing investigations into Goodman's sale of two North Island bakeries on the grounds that they are still substantially influenced by the company.

Wellesley Resources, a New Zealand property developer, plans to sell its equity investments and several properties because of a downturn in development activity. Mr Graeme Ringar, the chairman, said these would reduce debt to about NZ\$80m (US\$55.9m) from NZ\$220m.

Investments include a half share in Brierley Cromwell Property, a joint venture with Property Investments.

The New Zealand Government Printing Office by tender as part of its privatisation process.

The unit has an asset value given as some NZ\$75m, annual turnover of NZ\$100m and a staff of 850. Mr Richard Presbiter, State-Owned Enterprises Minister, said the company could be sold piecemeal.

"There is no social or commercial reason why the Crown should own a printing company," he added.

DFC New Zealand, a state-owned investment bank which is also on the privatisation list, yesterday reported net profit down by more than a quarter to NZ\$26.5m in the year to March from NZ\$36.3m. The result this time excluded extraordinary losses of NZ\$4.7m.

Compagnie Générale d'Electricité

For the first quarter of 1988, Compagnie Générale d'Electricité (CGE) posted consolidated sales of FF 28.4 billion, up 9% from the first quarter of 1987.

This growth can be attributed to a number of structural modifications made since the beginning of last year, the most significant of which are:

CGE'S FIRST QUARTER SALES UP BY 9%

- Cables de Lyon's acquisition of a majority interest in Thomson Culver;
- Alstom's withdrawal from the low voltage equipment sector;
- the sale of the majority stake in Carver;
- Alstom's acquisition of Berperon and Sert's acquisition of Alcad;
- the Group's sale of its interest in Société d'Etudes et Systèmes d'Automatisme (Sesa) and Générale de Service Informatique (GSI);
- the sale of the consumer electronics

department of Standard Elektrik Lorenz (SEL).

Group sales do not include those of Générale Occidentale as they are accounted for by the equity method.

Breakdown of 1987 and 1988 quarterly sales by sector of activity is as follows:

(in FF millions)	1987 (1)	1988
Energy and Transportation	4,478	6,243
Nuclear (2)	1,542	1,719
Electrical contracting and industrial process control	2,376	2,380
Batteries	727	863
Telecommunications, business systems, cables,	16,517	16,639
Other	914	914
Inter-group sales	(374)	(412)
TOTAL	26,125	28,356

(1) Figures restated to allow comparison.

(2) Sales of Framatome and its subsidiaries are included on the basis of 40% proportional integration.



MANUFACTURERS HANOVER



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Manufacturers Hanover Trust Company Zurich Branch Swiss Cantobank (International)
Bank Leu A.G. Bank for Foreign Economic Affairs of the USSR Zurich Branch
Banque Pasche S.A. Kreditbank (Suisse) S.A.
Republic National Bank of New York (Suisse) S.A. Sociétés Générale
Tayo Kobe Finanz (Schweiz) A.G. Bank of Tokyo (Schweiz) A.G.
Barclays Bank S.A. Chase Manhattan Bank (Schweiz) A.G.
Chemical N.Y. Capital Market Corporation Dai-ichi Kangyo Bank (Schweiz) A.G.
Kyowa HB Finanz A.G. Bill. Banque Internationale à Luxembourg (Suisse) S.A.
The Royal Bank of Canada (Suisse) Sumitomo International Finance A.G.

June, 1988

The Investment Banking Group

Turnround in sales helps Mitsui to 50% profit rise

BY OUR FINANCIAL STAFF

MITSUHI & CO, Japan's leading trading house, boosted worldwide net profits by more than half to reach ¥23,150m (\$184.3m) in the year to March, compared with ¥15,230m.

Sales rose 11.4 per cent to ¥15,779m, reversing a 21.6 per cent setback the year before. The turnround came on a sharp increase in its dealings between foreign countries in petroleum products and non-ferrous metals where revenue jumped 38 per cent to ¥4,599m.

An expansion of trade in petroleum products also pushed imports up 6.2 per cent to

¥2,358m but exports continued to slide, down 8.1 per cent to ¥2,688m, affected by declines in demand for Japanese metals and machinery.

Net earnings per share were ¥18.25 against ¥12.60.

General Sekiya, a Japanese oil refiner in which Exxon of the US has a large minority, more than tripled its consolidated net earnings for the March year to July on ¥8m, from ¥2.54m.

Sales were a bare 0.8 per cent higher at ¥426.9m. The company benefited by selling down stocks of energy products acquired at higher prices.

ARAB BANKING CORPORATION (B.S.C.) Issue of U.S. \$ 150,000,000 Floating Rate Notes due 2000

For the six months, June 8, 1988 to December 7, 1988, the rate of interest has been fixed at 7 15/16% PA.

The interest due on December 8, 1988 against coupon nr 7 will be \$ U.S. 403,49 and has been computed on the actual number of days elapsed (189) divided by 360.

The Principal Paying Agent,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

The Chase Manhattan Corporation U.S. \$400,000,000 Floating Rate Subordinated Notes due 2009

For the three months 8th June, 1988 to 8th September, 1988 the Notes will carry an interest rate of 7 3/4% per annum with a coupon amount of U.S. \$199.65 per U.S. \$10,000 Note, payable on 8th September, 1988.

Bankers Trust Company, London Agent Bank

THE KINGDOM OF DENMARK U.S. \$100,000,000 14% Notes due 1991

NOTICE IS HEREBY GIVEN that pursuant to Condition 5 (b) of the Notes, The Kingdom of Denmark has elected to redeem on July 15, 1988 (the "Redemption Date") all of its outstanding 14% Notes due 1991 (the "Notes") at 101%. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes should be presented and surrendered to the paying agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due July 15, 1988 should be detached and presented for payment in the usual manner.

June 10, 1988
By: Citibank, N.A., (CSSI Dept.)
London Principal Paying Agent

CITIBANK

NOTICE OF EARLY REDEMPTION U.S. \$250,000,000

The Kingdom of Belgium
Tranche B - Floating Rate Notes Due January 2011

Notice is hereby given to the holders of the Floating Rate Notes that in accordance with the provisions of the Fiscal Agency Agreement dated January 9, 1986 (Condition 6 (c) of the Floating Rate Notes), the issuer will redeem all the Notes on July 11, 1988 (together called the "Interest Payment Date" and the "Redemption Date") at their principal amount.

Interest will be paid to the persons shown on the Register of Noteholders at the close of business on the fifth day prior to the Interest Payment Date. Payment of principal will be made on or after the redemption Date at the specified office of the Transfer Agent or the Registrar listed below, upon presentation and surrender of the Notes.

The Notes will become void unless presented for payment within a period of 10 years from the redemption Date.

Fiscal Agent
Morgan Guaranty Trust Company of New York
25, Avenue des Arts
B-1040 BRUSSELS

TRANSFER AGENT
Morgan Guaranty Trust Company of New York
20, Broadway
NEW YORK, N.Y. 10015

DATED: June 10, 1988.

U.S. \$100,000,000 Allied Irish Banks plc Floating Rate Notes Due 1995

Subordinated as to payment of principal and interest

Interest Rate 8 1/2% per annum
Interest Period 10th June 1988
Interest Amount per U.S. \$10,000 Note due 12th December 1988 U.S. \$414.32

Credit Suisse First Boston Limited Agent Bank

U.S. \$600,000,000 Malaysia Floating Rate Notes Due 2009

Interest Rate 8 1/2% per annum
Interest Period 10th June 1988
Interest Amount per U.S. \$10,000 Note due 12th December 1988 U.S. \$414.32

Credit Suisse First Boston Limited Agent Bank

INTL. COMPANIES AND FINANCE

Gucci management in dispute with new stockholder

BY ALAN FRIEDMAN IN MILAN

THE FUTURE of the Gucci luxury leather goods and fashion accessories house was yesterday thrown into a state of confusion following a dispute over management control between shareholders of the company.

Investcorp, the Bahrain-registered investment bank that has secretly built up a 47.8 per cent Gucci stake, was blocked on Wednesday night from securing a majority of five out of the nine seats on the Gucci board of directors.

Investcorp's representatives, who also had the backing of Mr Roberto Gucci and his 2.2 per cent equity stake, were told by the court-appointed custodians of Mr Maurizio Gucci's 50 per cent stake that they would not agree to hand over effective control of the company.

The custodians specify for the block because Mr Maurizio Gucci is facing various criminal charges.

According to one executive who attended the Gucci meeting the two opposing shareholder camps "found themselves at an impasse with each side holding 50 per cent of the company."

Mrs Maria Martellini, the professor of business who has been serving as Gucci chairman since last August, said there had been no disagreement on matters of substance. "When we talked about the business plan everything was fine. Now it is essential for Gucci that we all get together and work for the common interests of the company," she said last night.

Mrs Martellini had earlier said she looked forward to meeting Mr Paul Dimitriuk, the Investcorp executive who masterminded the purchase of Gucci shares in the group's Italian, US, British, French and Hong Kong companies. Mr Dimitriuk flew into Milan yesterday, saying he regretted it had not been possible to introduce himself to the Gucci management until now.

He was hoping to meet Mrs Martellini later last night or this morning. He admitted that



Maria Martellini: 'essential to work together'

Investcorp had sought five of the nine board seats, but claimed that the dispute over control was not a serious problem.

"We at Investcorp are also prepared to accept equal board representation on a 50-50 basis," Mr Dimitriuk said last night, adding that in his view "this deadlock is not definitive."

Mr Dimitriuk stressed it was "not surprising that both sides are looking each other over" and insisted: "We are not attempting to make a power play."

Hungarian haulier plans public share issue

By Kevin Brown, Transport Correspondent, in Budapest

HUNGAROCAMION, the state-owned Hungarian road haulage organisation, plans to raise up to Florints 2bn (\$42.5m) via a public share issue, Mr Imre Torma, general manager, said yesterday.

He said Hungarocamion would be one of the first to take advantage of proposals to allow Hungarian companies to issue shares.

A bill authorising share issues is passing through parliament in Budapest, and is expected to become law in the summer. A small stock exchange is expected to be established to provide a market in the shares.

Mr Torma said the state would retain a majority stake in Hungarocamion, which was valued at Florints 5bn. The share issue would represent between 25 and 40 per cent of the value of the company.

The capital raised by the issue would be used to modernise the company's fleet of 1,500 lorries. This process was begun in 1985 with the aid of a \$60m World Bank loan.

Mr Torma said Hungarocamion made profits of more than \$17m before tax last year, on turnover equivalent to \$115m. The company operated without state subsidies.

Hungarocamion, which was set up in 1966 to service Hungarian foreign trade, is one of the largest road hauliers in Eastern Europe.

The company will remain committed principally to carrying Hungarian foreign trade, but hopes to diversify into more sophisticated distribution activities which are increasingly required by domestic and overseas companies, Mr Torma said.

This announcement appears as a matter of record only.

SARA LEE CORPORATION

NLG 200,000,000

6 1/2% Bearer Bonds 1988 due 1998

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Credit Suisse First Boston Nederland N.V.

Nederlandsche Middenstandsbank nv

Pierson, Heldring & Pierson N.V.

SBCI Swiss Bank Corporation Investment banking N.V.

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Morgan Stanley International

Salomon Brothers International Limited

Swiss Volksbank

Union Bank of Switzerland (Securities) Limited

S.G. Warburg Securities

May, 1988

Pernod wins Coca-Cola ruling

BY PAUL BETTS IN PARIS

PERNOD RICARD, the French drinks group, has won the first round in its legal battle against Coca-Cola, which recently broke off production and distribution agreements with Pernod dating back to 1949.

Pernod had agreed to negotiate a settlement with Coca-Cola last January but the two companies disagreed over the amount of compensation Pernod sought from the US company. At the time Pernod claimed that Coca-Cola had made an unacceptably low compensation offer.

Relations between the two

groups worsened when Coca-Cola decided to renew a number of Pernod marketing concessions in different parts of France. The French group subsequently took the issue before the Paris commercial tribunal, which this week ruled in its favour.

Coca-Cola immediately appealed against the ruling - to resume normal commercial relations with Pernod. The court has also decided to name two officials to help the two companies reach an acceptable compromise.

The issue is significant for Pernod since its longstanding

French Coca-Cola licence business accounts for about 10 per cent of group annual sales of FF12.5bn (\$2.15bn). Pernod claims that between 1949 and 1980, the French Coca-Cola operations lost money. However, they have become increasingly profitable since then.

Coca-Cola has been seeking to take direct control of its soft drink operations in several European countries. In France, there are also understood to have been disagreements with Pernod over capital investment and development policies.

Moët group in talks to buy Leroy stake

By Our Paris Staff

LVMH, THE French Moët Hennessy Louis Vuitton champagne, cognac, luggage and perfume group, is negotiating to acquire a large stake in the Burgundy-based Leroy wine merchant and grower as part of its drive into new luxury goods businesses.

The deal involves LVMH's Veuve Cliquot champagne subsidiary, which is planning to buy a substantial minority stake in Leroy, which distributes some of the best known Burgundy wines including the rare and prestigious Romanée Conti.

Leroy, which also distributes the Domaine de Echebourg and the Domaine de la Tache, among other famous Burgundy wines, also owns vineyards in Burgundy. Its annual sales total about FF35m (\$6m). The deal would represent LVMH's first move into non-sparking French wines. The company produces Moët Chandon champagne as well as Veuve Cliquot.

The proposed wine takeover coincides with plans by LVMH to buy the Givenchy fashion house, one of the most prestigious haute couture names in Paris. Through Veuve Cliquot, LVMH already owns the Givenchy perfume side. The LVMH group was formed last year through the merger of Moët-Hennessy and Louis Vuitton. It recently reported net profits of FF1.34bn on sales of FF13.25bn for 1987.

Modest advance in profits for French reinsurer

BY GEORGE GRAHAM IN PARIS

SCOR, THE French reinsurance group, reports net profits of FF180m (\$31m) for 1987, slightly up from the previous year's FF170m, despite a FF45m provision for potential capital losses on its securities portfolio.

Group sales rose by 9 per cent to FF14.4bn after adjusting for currency fluctuations and for changes in group structure and earnings rose in all operating subsidiaries.

The parent company reported sales of FF13.36bn last year. Scor once again set aside substantial reserves, but its technical reinsurance results improved sharply to a loss of FF216m in 1987.

Current investment income rose to FF377m from FF350m the previous year, but overall financial revenues were slightly lower as a result of lower capital gains, leaving parent company net earnings at FF115m, up 28 per cent from the previous year.

Christiania ahead at four months

CHRISTIANIA BANK, Norway's second largest banking group, reports an improvement in profits before tax and loans from NKR32m to NKR40m (\$62m) for the first four months of 1988, writes Karen Fossli in Oslo.

The bank said interest margins had improved, showing a clear upturn. It added that the positive

developments seen so far this year were expected to continue. Bergen Bank group increased its first four-month operating profit before loan losses to NKR45m, compared with NKR29m in the same period last year. Operating margins rose to 1.39 per cent from 1.21 per cent for 1987 as a whole.

Its restructuring plan introduced in 1983 - when the group lost FF462m - brought the main French insurance groups of both the state and private sectors into its capital and strengthened its equity base.

The group recently announced that it was buying La Vittoria Riassicurazioni, the reinsurance subsidiary of the Agnelli group's Toro insurance operation, for FF60m. The purchase is expected to provide Scor with a major foothold in the rapidly expanding Italian insurance market.

Scor said yesterday that last year's results were achieved in a much more difficult environment, with lively competition, a large number of major accidents, and sizeable swings in exchange rates and securities markets.

Philipp Holzmann sees further growth

BY ANDREW FISHER IN FRANKFURT

PHILIPP HOLZMANN, the West German construction concern, expects a further slight improvement in profits this year after a promising start in both the domestic and the US markets.

In 1987, it raised group net profits from DM20.7m to DM23.2m (\$13.5m), after a sharp drop from DM28.5m in 1986. Turnover was 11 per cent lower at DM5.5bn last year, partly because of the sharply lower dollar and partly because of a drop in US and other foreign business. The order backlog at the year-end was down by 13 per cent to DM4.6bn.

The dividend is being held at DM10 a share.

The company said that turnover in Germany had risen by 11 per cent in the first five months of 1988 to DM902m. One of the reasons for the country's higher than expected economic growth this year is the surge in building activity caused by the milder weather in the early months.

In the US, where Philipp Holzmann has been taking a more selective attitude towards new contracts, turnover was up by 12 per cent to \$578m. But in other countries, notably the Opec members, there was a downturn.

Because of this and the lower dollar rate, the group's total turnover in the first five months was flat at DM2,04bn.

The order level in Germany was 13 per cent higher in the January-May period at DM2.2bn, though falling by 4 per cent to \$1.2bn in the US. Total orders were 5 per cent higher in May compared with end-1987. Overall, the company said it expected moderate growth in German building activity in 1988, the impetus coming only from the housing and commercial sector. It also expected higher US construction levels.

Today, Baring Securities commences business as a Member of the Tokyo Stock Exchange.

10th June 1988 is a momentous day for Baring Securities. Our active membership, as from today, of the Tokyo Stock Exchange confirms our long-standing commitment to the Japanese market. It follows on quickly from another

important event for us in April - our receiving the Queen's Award for Export Achievement in 1988. These two landmarks highlight 1988 as a decisive year in Baring Securities continued development.

BARING SECURITIES



THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT 1988

Wells Fargo & Company U.S. \$150,000,000 Floating Rate Subordinated Notes due 1994

NOTICE TO WARRANTHOLDERS OF NIPPON DENKO CO., LTD. U.S.\$70,000,000

Ireland £100,000,000 Floating Rate Notes 1995

INTL. COMPANIES AND FINANCE

Peter Bruce in Madrid looks behind the scenes of Spain's biggest ever banking event

Playground warfare in pinstripes



Mr. Mario Conde, Banesto's chairman. Typical of breed off the Kurwaitis and "Los Albertos".

THE OFFICE of the Governor of the Bank of Spain is a sumptuous but dark old place and far too big for one man to spend too long alone in. Luckily for Mr. Mariano Rubio, the present incumbent, he is much in demand as the country's biggest ever banking event, the proposed merger of Banco Central and Banco Espanol de Credito (Banesto), becomes more and more complicated and nasty.

On Wednesday he received Mr. Alfonso Escamez, the chairman of Central, the country's biggest bank, and Mr. Mario Conde, chairman of Banesto, the number two bank. The day before, he played host to "Los Albertos" - two rich, successful, young cousins who made their fortune in the construction industry but who are now showing an unhealthy interest in Central and Banesto, or Banco Espanol Central de Credito (BECC) as the merged unit will be known.

Cartera could score up to 5 per cent of Banesto by the end of today, "Banesto," he said, "is costing us well over Ptas6,000 a share."

They have the money. Shortly before the merger announcement, Cartera decided to raise new capital and although the joint venture is headed by the two Spanish cousins, its financial muscle is Kuwaiti. KIO recently transferred its 48.8 per cent share in Cartera Central to its major industrial affiliate in Spain, the Catalan paper manufacturer Torras Hostench but there, too, the Kuwaitis hold the purse strings.

To back off from Central now, after fighting hard against Mr. Escamez for seats on its board, could damage KIO's credibility as a determined, long-term investor in Spain. Cartera Central was formed late last year at KIO's initiative. Mr. Alcocer and Mr. Cortina sold some prime Madrid land to KIO and used their share of the proceeds - Ptas21bn - to fund their 51.2 per cent of Cartera Central. KIO pumped in another Ptas19bn.

Cartera's main difficulty now was to argue away their rather pompous defence being put to the Government by Mr. Escamez - BECC, he said yesterday, should be a Spanish bank and not have any foreign capital in it. This is a bit tricky, because it was Mr. Escamez himself who, needing fresh capital at Central, invited KIO to buy 4.85 per cent of his bank in October 1986. Their relationship soon turned sour but it is this holding that has now grown to Cartera Central's 13 per cent ownership of Central.

The Albertos have taken great care not to alienate the Government and usually tell the Bank of Spain of every share purchase in advance. The practice has done them no harm. In their meetings with the authorities this week the Albertos have argued that they have had little choice but to move on Banesto.

Despite having two members on the Banco Central board, Mr. Escamez has refused to provide them with any of the bank's accounts and has refused to take them into his confidence over the way the merger with Banesto will work. The two cousins, said Cartera, simply feel they have a better chance of talking to Mr. Conde once they have 7 per cent of his bank and become its main shareholder too.

In many ways, Mr. Escamez is the odd man out here. He is 73 and close to retirement. Los Albertos, the main KIO associates in Spain, the main Government leaders and Mr. Conde belong to Spain's modernising generation. Mr. Conde is 39, Mr. Alcocer is 45, and Mr. Cortina is 42. It is Mr. Conde, banker, night club owner, tanned and smooth, his hair greased back to perfection, that typifies the breed.

The meetings are largely theatrical. On Monday Alberto Cortina and Alberto Alcocer let it be known that their joint venture with the Kuwait Investment Office (KIO), Cartera Central, had spent Ptas5.5bn (\$87.5m) buying 2 per cent of Banesto. The Conde team have remained silent but leaked, apparently, shock and amazement at the fact that they were not consulted. Nonsense, retorted Cartera Central and, probably rightly so, pointed out that Mr. Conde and his partner had not exactly advertised their raid on Banesto shares that preceded his elevation to the chairmanship last year.

Mr. Alcocer and Mr. Cortina are a phenomenon in Spain. Publicly shy and extremely well connected, they teamed up with KIO late last year to buy a large stake in Banco Central. All told, the Cartera Central partners can count on control of 13 per cent of Central, making them its biggest shareholder. They have not been welcome, though, and it is widely believed that Mr. Escamez sought a merger with Banesto to shake

legal advisers, to explore possible alternatives to the Electrolux offer.

Murray announced on Wednesday that it was holding talks with other parties about a merger or recapitalisation.

Analysts said this decision could prompt a bidding war but was unlikely to deter Electrolux from seeking control.

Murray Ohio rejects bid

THE BOARD of Murray Ohio Manufacturing, the US lawnmower and bicycle maker, has unanimously rejected a \$300m, or \$22 per share, tender offer begun on May 24 by Electrolux of Sweden, the world's leading white goods manufacturer.

Murray said it authorised the company's management, with the assistance of its financial and

Europe offer for Tenneco

A LITTLE-known European partnership, Gulf Financial Resources, has emerged as the first publicly announced bidder for the oil and gas properties of Tenneco, the Houston-based industrial and energy conglomerate, writes Our New York Staff.

Tenneco put its oil and gas fields up for sale two weeks ago and analysts have estimated that they should fetch at least \$5bn.

Gulf Financial was described by Mr. Henri Soussan, one of its French-born principals, as a property acquisition company formed in 1986. Tenneco said only that it was "one of many bids".

Industry analysts estimate the properties, which may be sold in pieces or as a complete unit, are worth as much as \$7m to \$8m.

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Company Notices

GOLD FIELDS OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
(Registration No. 05/04181/0/6)

CONVERTIBLE REDEEMABLE CUMULATIVE PREFERENCE SHARES

DECLARATION OF DIVIDEND

Dividend No. 6 of 145 cents per preference share for the six months ending 30 June 1988, has today been declared by the Board of Directors of the company to the shareholders registered in the books of the company at the close of business on 24 June 1988.

Warrants dated 3 August 1986 will be posted to preference shareholders on or about 2 August 1988.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 24 June 1988 in accordance with the abovementioned conditions.

The register of members of the company will be closed from 25 June to 1 July 1988, inclusive.

By order of the Board,
per pro CONSOLIDATED GOLD FIELDS PLC,
London Secretaries,
Mrs. G.M.A. Gledhill, Secretary,
United Kingdom Registrar:
141 Strand Registrars Limited,
6 Grencoast Place,
London, SW1P 1PL,
8 June 1988

GOLD FIELDS COAL LIMITED
(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Incorporated in the Republic of South Africa)
(Registration No. 01/0124/0/6)

DECLARATION OF DIVIDEND

Interim dividend No. 150 of 30 cents per share has today been declared in South African currency payable to shareholders registered in the books of the company at the close of business on 24 June 1988.

Warrants will be posted to shareholders on or about 2 August 1988.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 24 June 1988 in accordance with the abovementioned conditions.

The register of members of the company will be closed from 25 June to 1 July 1988, inclusive.

per pro CONSOLIDATED GOLD FIELDS PLC,
London Secretaries,
Mrs. G.M.A. Gledhill, Secretary,
United Kingdom Registrar:
141 Strand Registrars Limited,
6 Grencoast Place,
London, SW1P 1PL,
8 June 1988

M. L. HOLDINGS PLC

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8% Debenture Stock 1986/1988

NOTICE IS HEREBY GIVEN that the Transfer Books of Members will be CLOSED on 24th June 1988 only.

By Order of the Board
J.L. Lovelace
Group Secretary

Legal Notices

NOTICE OF REVOCATION BANKRUPTCY PROCEEDINGS OF PARIS (LESURE/LEONARD PLANTIERE BATE)

NOTES DUE 1987/1988

Notice is hereby given that in accordance with Chapter 5 "Revocation and Purchase" (2) of the French Commercial Code, the revocation of the bankruptcy proceedings of the above named debtor is hereby announced at the principal office of Banque National de Paris (BNP) in London, or at Banque Nationale de Paris (BNP) in Luxembourg, S.A. in Luxembourg or at Morgan Guaranty Trust Company of New York in New York.

Assured interest due July 31 1988 will be paid in the normal manner upon the presentation and against surrender of the appropriate coupon on or after July 14 1988.

By: Banque Nationale de Paris, Paris.

Exhibitions

WALK INTO A WORLD OF ARTWORKS The Free Art and Design Show. The OPENING HALL, OLYMPIA LONDON, June 11 - 12 (Free Mon. - Sat. 10.30 am - 6 pm) preview day (2 pm - 9 pm) £12.50 weekdays (11.50 am - 9 pm) £4.50. Weekends (11.30 am - 9 pm) £4.50.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Firmer price trend whets appetite for new paper

BY DOMINIQUE JACKSON

THE RESILIENCE of the US Treasury market and the strength of the dollar on foreign exchange markets yesterday contributed to an improved mood...

INTERNATIONAL BONDS

Demand was so great for Credit Suisse First Boston's issue for Norway's Statoil that the deal was soon increased to \$250m from an initial \$200m...

from the last fortnight had been more or less absorbed. Against this background Westpac Banking led a \$450m three-year issue for Overseas, a financing vehicle for Corp. Belgium's largest private savings bank...

World Bank plans to raise dollar profile

THE WORLD BANK has unveiled its borrowing programme for its new fiscal year starting next month, revealing a far greater emphasis on the US dollar than in recent years.

The programme, given approval this week by the bank's executive board, calls for the bank to raise \$11.5bn in its 1988 fiscal year starting next month, slightly more than the \$11bn in 1987.

BZ Bank ends talks on merger

BZ BANK, the small and innovative Swiss bank, announced yesterday that it was withdrawing from merger talks with Bank Leu, the country's oldest and fifth largest banking group.

Stephen Fidler examines bank initiatives to place increased borrowing emphasis on the US currency

place greater emphasis on the US currency was based on the institution's cash-flow requirements and its asset-liability management needs, and therefore should not be interpreted as a forecast about the US dollar.

There are no current plans for a Eurocommercial paper programme, although the bank now has the flexibility to launch one. Another element of the plan is a more active management of the bank's interest rate and currency swaps programme...

Crédit Local de France gets to grips with changed status

FOR AN establishment less than nine months old, Crédit Local de France is proud of its AAA debt rating, even if it is the largest borrower on the French bond market after the state itself.

Government's example in adopting a regular auction procedure. The group expects to raise between FF10bn and FF11bn of its total FF25bn domestic borrowings this year through auctions.

BNP to set up Tokyo offshoot

BANQUE NATIONALE de Paris, the leading French commercial bank, is to open a securities house in Tokyo on Monday after receiving a licence from the Japanese authorities.

Nixdorf Computer sales up 13%

NIXDORF COMPUTER of West Germany said group sales rose 13 per cent in the first five months of 1988 from a year earlier.

FT INTERNATIONAL BOND SERVICE

Table with columns for bond types (STRAIGHTS, CONVERTIBLE, etc.), issuer names, and financial data like interest rates and yields.

Saudi Arabia bonds \$8bn

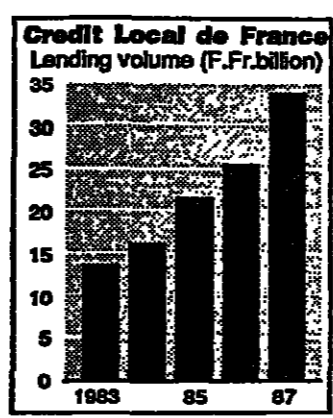
THE INITIAL tranche of Saudi Arabia's \$8bn (88bn) domestic bond issue, the first government borrowing in 20 years, is due to be issued tomorrow.

Consumer goods side helps lift Procordia

PROCORDIA, THE Swedish state-controlled holding company, reported a 26 per cent rise in profits (after financial items) to SKR43m (\$74m) in the first four months. Sales rose by 6 per cent to SKR5.30bn.

Feldmühle Nobel unit sees higher output

FELDMUEHLE, the paper-manufacturing unit of Feldmühle Nobel, said world group sales rose to DM882m (\$574m) in the first quarter of 1988, from DM938m in the same 1987 period.



Mr Pierre Richard, chairman of Crédit Local, says: 'Last year nearly 40 per cent of our lending was in variable and floating-rate loans, and we are also the leading French lender in Euros.'

Advertisement for NORTH BROKEN HILL HOLDINGS LIMITED, US\$175,000,000 Note Issuance Facility, arranged by COUNTY NATWEST. Includes logos and list of underwriting banks.

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UK COMPANY NEWS

PROFIT SHARING REINSTATED WITH MORE-THAN-DOUBLED PAYOUT

Higher call volume connects BT to £2.29bn

BY HUGO DIXON

British Telecom increased pre-tax profits by 11 per cent to £2.29bn in the year to end-March reflecting higher call volume, it announced yesterday.

Mr Bryan Gould, Labour's Trade and Industry spokesman, criticised BT for making easy profits. "The good news for the City contrasts starkly with the bad experience of the consumer," he said in a statement.

BT, however, claimed that shareholders, consumers and employees had all benefited from its performance.

It stressed that it had invested £2.4bn during the year, up from

£2.2bn, and expected to increase this by a further 10 per cent this year.

BT also announced that it had reinstated its profit-sharing scheme, which it suspended last year as a result of the engineers' strike. The distribution of £38m during 1987-88 and prompts speculation that BT is giving its staff a double bonus to compensate for the missed year.

Mr Iain Vallance, BT's chairman, said the £38m, which was awarded at the company's discretion, took into account "a lot of effort from a lot of staff." The

amount will be shared equally between the 218,000 staff rather than related to income as previously.

The profits, which were in line with City expectations, were driven by an 8 per cent increase in the volume of inland calls and a 14 per cent increase in international.

There was 3.4 per cent growth in the number of residential lines and 8.1 per cent growth in the number of business lines.

The international division's profits advanced 29 per cent to £613m. There was only 4 per cent growth, however, in profits from

the domestic network to £1.99bn, reflecting the costs of the strike, the hurricanes and a campaign to improve customer service.

Mr Vallance would not be drawn on what the campaign had cost. However, staff numbers had grown by 1,500 and staff costs were 24 per cent up in the final quarter at £520m.

Mr Graham Odgers, BT's managing director, said he expected staff numbers to stabilise at present levels this year before falling slightly thereafter.

He also expected stronger profit growth from the domestic network, but less growth from international business as competition

from Mercury Communications increased.

Cellnet, BT's 60 per cent owned mobile phone subsidiary, moved into profit last year and more growth is expected this year. However, Mitel, its Canadian manufacturing subsidiary, remained only at a break-even level and Mr Odgers was not hopeful of a significantly stronger performance this year.

Post-tax profits were £1.46bn (£1.31bn) and earnings per share 23.8p (20.9p).

A final dividend of 5.75p is recommended, making a total of 9.5p (8.45p).

See Lex

Cater Allen attacks Financial Services Act

By Andrew Hill

MR JAMES Barclay, chairman of Cater Allen Holdings, the discount house, yesterday criticised the Financial Services Act and the Banking Act.

His criticisms accompanied Cater's results for the year to April 30, accidentally released on Wednesday evening by the Stock Exchange.

The discount house proposed an increased final dividend of 17.13p, making 22.5p (20.15p) for the year, ahead of most expectations.

The shares rose 17p to close at 390p.

Cater also disclosed post-tax profits up 30 per cent to £7.15m, against £5.5m in 1986-87.

Mr Barclay said all parts of the business had suffered from the cost of complying with the Financial Services Act. He described the new rules as "hopelessly tardy."

The rules "interfere too much with the conduct of honest, efficient companies and still cannot possibly assure us that the villains will be caught," he said.

He welcomed the Bank of England's new regime of wholesale market supervision, but said he believed the Banking Act 1987 unnecessarily restricted Cater's ability to lead to creditworthy clients, such as large companies for whom it discounts bills.

The Act prevents banks lending more than 25 per cent of their capital and requires them to report any lendings representing more than 10 per cent.

The discount house's traditional gilt-edged and money market business reported profits of £4.75m (24m). Lloyd's insurance interests, financial futures broking, and the Jersey-based offshore banking, trust and fund management operation together made £2.4m (£1.5m).

comment

Although the City liked Cater Allen's results, optimism was perhaps slightly clouded by the possibility that rising interest rates could have held back the basic business since the year-end. The future of discount houses is also uncertain.

Since Big Bang, outsiders have often viewed the discount market as an anachronism, but in October the Bank of England may allow further players to join the eight in the market.

Cater's management says it would welcome such a move, which, if nothing else, would certainly give the sector some security. Cater also looks comparatively well-protected against increased competition by its diversified businesses.

Meanwhile it probably represents the best investment of the four independent discount houses. Forecast profits are all but irrelevant given the effect a capricious market could have on revenue, but if the company pays full-year dividends of 24p in 1988-89, the shares offer a handsome prospective yield of some 8.4 per cent.

See Lex

Beecham rises 15% thanks to no interest charges

BY FIONA THOMPSON

Beecham Group, drugs and consumer products company, yesterday reported profits ahead by 15 per cent to £406.5m for the year to March 31 1988. However, the bulk of the advance from £362.3m was due to a \$41.5m turnaround in the interest charge - from a \$28.5m deficit last time to £3m receivable following the disposal of consumer goods businesses.

Group sales declined 10 per cent from £2.77bn to £2.48bn, although sales of continuing businesses increased 7 per cent to £2.38bn. Currency translations shaved £103m off turnover and £24m off pre-tax profits.

Beecham shares fell 6p last night to close at 478p.

"Our businesses are inherently strong, even though reported results were materially affected by currency, particularly the US dollar," said Mr Robert Bauman, chairman.

"We have improved market shares, attained higher margins and generated substantial cash."

Earnings per share rose 18 per cent from 27.25p to 31.88p, and the recommended final dividend of 5.7p makes a total for the year of 14.3p (13p).

Beecham this week filed an application with the Food and Drug Administration to market its new heart drug, Embase, in the US, said Mr Bauman. Earlier this month the company enlisted Upjohn, the American drugs

group, to help it market the drug there. Embase is a blood clot dissolving agent for heart attack victims. Sales in West Germany "have not been as fast as we would have liked," said Mr Bauman, but "the US is the big one." It will take 12 to 18 months to go through the FDA, so the drug is not expected to make a major impact until the 1990s. Pharmaceuticals products, which with prescription medicines and over-the-counter medicines accounts for 65 per cent of turnover, raised operating profits by 7 per cent to £338.7m (£318.7m). Profits of prescription medicines, driven by higher sales of antibiotics Augmentin and Timentin, increased by 11 per cent to £278.3m. Over-the-counter medicines saw profits slip 16 per cent to £50.4m, due to the weaker dollar and increased marketing expenditure.

The consumer products division, which includes brands such as Brylcreem, Macleans toothpaste, and Farley through to Harrogate, Horlicks, Lascaris, Bovril, Ribena and Ambrosia Creamed Rice, saw profits rise 6 per cent from £165.1m to £178.7m.

A worldwide property revaluation resulted in a £17m surplus. Net borrowings last time of £54.2m were replaced by net funds of £221.8m. Tax took £163.4m (£144.3m).

See Lex

KIO not to increase BP stake

By Steven Butler

THE Kuwait Investment Office has said it would not increase its 22 per cent stake in British Petroleum while the Monopolies and Mergers Commission conducts its inquiry into the KIO's acquisition of the stake.

The pledge, which is considered normal during such investigations, was made in undertakings given to the Trade Secretary. The KIO has also pledged not to purchase any assets of BP except in the "normal course of business," requesting an extraordinary general meeting of BP, or seek representation on the BP board.

The MMC investigation, which began on May 3, was to last for four months and the Commission is still gathering evidence. Market speculation has centred on whether the KIO might be required to reduce its stake in BP to 10 or 20 per cent.

Whitcroft/Eleco

Whitcroft, the industrial holding company, has sold its entire 11.4 per cent stake in Eleco Holdings, the construction and building products group, for which it made an unsuccessful £25m bid two years ago.

The news prompted speculation that a new bidder could arrive on the scene and Eleco's shares rose 29p to 181p yesterday.

BAA takes off with £166m in first results

BY MICHAEL DORRIS, AEROSPACE CORRESPONDENT

BAA, formerly the British Airports Authority, achieved pre-tax profits of £166m in the year to end-March 1988, the first full year since privatisation. This was a rise of £42m or 34 per cent over the previous year's £124m.

Sir Norman Payne, chairman, said yesterday that revenue rose from £436m to £522m, with passenger traffic at BAA's seven airports (Heathrow, Gatwick, Stansted, Glasgow, Aberdeen, Edinburgh and Prestwick) rising by 15 per cent to 63.7m. Cargo traffic rose from 768,000 to 845,000 tonnes.

Earnings per share rose from a notional 16p to 21p, and a final dividend of 4.25p per share is recommended, making 7.25p for the year.

Sir Norman said that during the year, shareholders' funds had risen from £694m to £898m "mainly because we have revalued certain of our assets around the airports which we decided should be treated as property assets held for investment".

Sir Norman also said that capital spending had increased from £153m to £182m, reflecting the continuing work on developing Stansted in Essex as the third major airport for London, the



Sir Norman Payne - capital spending rose to £182m, reflecting continuing development work

refurbishment of Terminal Three at Heathrow, and completion of the first phase of Gatwick's new North Terminal.

The strength of the UK and world economies was the dominant factor in boosting BAA's results, but Sir Norman expected traffic growth to return "to more normal levels" this year.

Commenting on the future, he said BAA was now preparing its own independent study of future requirements for airport terminals, runways and airspace in the UK, and especially the London and south-east region.

This would be ready around the end of this year or early next, and it would be used to help determine where and when further major projects would be undertaken.

In the meantime, BAA's "firm policy" was to expand, especially into new areas such as direct retailing, building hotels, developing its properties and expanding its international consultancy services.

One problem for the future might occur if the European Commission decided to abolish intra-Community duty-free sales, which provided about 10 per cent of BAA's total revenues (about £52m).

In such a situation, Sir Norman said BAA would recoup the lost revenues with higher charges to the airlines, possibly through a 15 to 20 per cent increase in landing fees.

See Lex

Lynton Property rises £637,000 to finish at £5.89m

Lynton Property & Reversionary, property investor and developer, lifted pre-tax profits by £637,000 to £5.89m for the year to end-March 1988. Net asset value advanced from 311p to 440p.

Gross rental income rose from £10.62m to £11.56m, while income from property investments was

up from £8.66m to £9.65m. The £25m programme started in 1987 for the development of properties in the investment portfolio was progressing well.

Earnings worked through at 9.5p (7.9p) and the total dividend is being raised to 6.85p (5.5p) by

the proposed final of 5p (3.85p). In May, the boards of Lynton and BAA, the privatised authority for British airports, reached agreement for BAA to make a recommended cash offer of 455p per share for the balance of issued share capital of Lynton that it did not already own.

Titaghur share deals resumed

By Philip Coggan

Dealings resumed yesterday in the shares of Titaghur Jute Factory, textile trader and importer, after being suspended last month because of the company's failure to pay its annual listing charges.

But Titaghur has now paid its listing fees and has sorted out problems with its registrars - a Dundee company called Cram, Worsley - which had been refusing to register share transfers because they had not been paid.

The markets did not exactly welcome back Titaghur with open arms - the shares fell 2p to 145p.

U.S. \$30,000,000
Banco Latinoamericano De Exportaciones, S.A.
 Floating Rate Notes due 1991 with Warrants to purchase 3,000,000 Shares of Cumulative Participating Preferred Stock

In accordance with the provisions of the Notes, notice is hereby given, that for the six months interest period from June 10, 1988 to December 12, 1988, the Notes will carry an interest rate of 8 1/4% per annum. The amount payable on December 12, 1988 under Coupon No. 5 will be U.S. \$448,44 for Bearer Notes of U.S. \$10,000 principal amount and U.S. \$4,484.44 for Bearer Notes of U.S. \$100,000 principal amount. U.S. \$448,44 will be payable on each U.S. \$10,000 of principal amount of Registered Notes.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
 June 10, 1988

U.S. \$30,000,000
Nedlira Finance B.V.
 Guaranteed Floating Rate Notes due 1993

Guaranteed on subordinated basis by Libra Bank PLC

For the three months June 10, 1988 to September 12, 1989 the Notes will bear an interest rate of 9% per annum and the coupon amount per U.S. \$10,000 will be U.S. \$208.88.

June 10, 1988

THE THAILAND FUND
 International Depository Receipts issued by **MORGAN GUARANTY TRUST COMPANY OF NEW YORK**

Notice is hereby given to the IDI-Holders that quarterly reports as at March 31st, 1988, with respect to the Thailand Fund are available at the office of the Depository, 2500 Avenue of the Americas, New York, New York 10017. For information purposes, the net asset value per unit as at March 31, 1988 was US\$ 18.79 per unit.

Morgan Guaranty Trust Company
 Brussels Office as Depository

Porter Chadburn merger values LDH at £9.2m

BY DAVID WALLER

Porter Chadburn, industrial conglomerate, is to merge with LDH, upholstery fabric distributor. The deal is the most significant step in Porter's reorientation under the guidance of Mr Raymond Dinkin, appointed chairman last summer.

Mr Dinkin, chief executive designate of the new grouping, said yesterday that the move, which values LDH at £9.2m, was consistent with Porter's planned expansion in the specialist distribution area.

It follows the £6.6m purchase in November of Tisco, a distributor of products in sports and leisure markets, and the £4m purchase of two importers of fishing tackle in April this year.

LDH's geographical spread is to be strengthened with the

£1.38m acquisition of Snow Hill Upholsters, announced yesterday. Snow Hill is based in Birmingham, whereas LDH's existing business is centred on the north of England.

LDH made pre-tax profits of £1.2m in its last financial year. Porter made £1.7m in the year to April, compared to £158,000 in the first half. Combined turnover approached the £50m level.

The merger was widely expected after shares in both companies were suspended on Monday. Back from suspension, Porter's shares rose from 78p to 83p whilst LDH rose from 111p to 123p, to match the value of the offer, which takes the form of 3 new Porter shares for every 2 shares in LDH.

Globe, Ensign and L&E emerge as backers for Retail Corporation

Globe Investment Trust, Ensign Trust and London and Edinburgh Trust, property group, have emerged as the major backers of the Retail Corporation, a new garden centre company being set up by Mr Malcolm Parkinson, a former Woolworth director, and Mr John Kennedy, a former finance director at B&Q.

The Retail Corporation will trade under the name of its wholly-owned subsidiary The Garden Store.

Its intention was to raise £10m in equity capital and more than 40 per cent will come from these three companies.

Other backers include 31 and clients of Tincorp East, the investment bank which has been handling the private placing.

The Retail Corporation aims to have at least three stores running by the end of the first year and is targeting for 50 within the next five years.

The aim is to situate the superstores on out-of-town sites of between three and five acres.

Electrocomponents plc

The Major Electronic and Electrical Distribution Group

Results to 31st March 1988

20th successive year of record profits

Sales up 28% to £311m

Pre-tax profits up 15% to £46.7m

Earnings per share up 15% to 14.7p

Dividend for year up 18% to 4.37p

"We are well positioned in our markets and trading conditions are generally favourable. We look forward to another year of progress."

Tony Chubb, Chairman



The contents of this statement, for which the Directors of Electrocomponents plc are solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act by an authorised person. Past performance is not necessarily an indication of future performance.

Leigh's pre-tax profit up by 67%

Dividend increased by 36%

Results in brief	Year ended 31st March 1988	Year ended 31st March 1987
Turnover		
Continuing activities	41,453	33,318
Discontinued activities	935	8,935
Total	42,388	42,253
Profit before interest	5,149	4,007
Interest	(1,025)	(1,533)
Profit before tax	4,124	2,474
Taxation	(1,525)	(888)
Profit after tax	2,599	1,586
Transfer to reserves	1,114	703
Dividend on Ordinary Shares per share:		
Interim	1.83p	1.40p
Final recommended	3.22p	2.75p
Earnings per share	12.8p	8.4p
Fully diluted Earnings per share	11.5p	-
Average number of shares in issue	17,484,000	15,778,000

(The figures for the year are abridged from the Group's full accounts for that period, which have received an unqualified Auditors' Report and will be filed with the Registrar of Companies following the Annual General Meeting.)

Leigh Interests plc - London Road - Brownhills, Walsall - West Midlands WS8 7BS.

If waste is the problem Leigh has the answer - 24 hours a day.

Lonrho manages 6% rise to £80m

BY MARTIN DUNN

Lonrho, mining, trading and industrial group led by Mr Tony Rowland, yesterday reported interim pre-tax profits of £20.4m, up 6 per cent on the £19.1m achieved in the same period of last year.

The figures were around the level of many analysts' expectations, but the shares closed at 229p, some analysts felt the company was being cautious in merely stating that it expected "trading for the full year to certainly exceed that of last year."

The company announced an unchanged second interim dividend of 4p, but it pointed out that the dividend had, in effect, been increased by 17 per cent since it had been declared on an increased share capital following a 1 for 6 capitalisation issue. Earnings per share also rose 17 per cent from 2.2p to 2.59p.

As usual at the interim stage, the group gave few details of the profit and loss account or divi-

sional trading performance. Turnover rose to £1.45bn (£1.37bn) in the six months to March 31, while the tax charge was lower at £30.2m (£35.2m), leaving attributable profits of \$47.4m (£36.1m). The pre-tax figure was also helped by a lower interest charge, since the company has been reducing its borrowings over the past year, which the Lonrho spokesman declined to spell out the figure.

A statement said the performance of Lonrho's UK companies had been strong, with particularly good contributions from its Metropole hotels business, its Volkswagen motor distributorship and its various printing and publishing activities. At the interim stage last year the publishing side was depressed by the loss-making Today newspaper, which has since been sold.

In the Americas, its Princess Hotels group reported an

Boardroom split at Memcom

Berkertex attacks Ellis for allowing brands to 'languish'

BY ALICE RAWSTHORN

Two directors of Memcom International, manufacturer of microfiche filing systems, have resigned at the request of the other members of the board.

A statement from the company alleged that Mr Karwal Dhimani and Mr Melvin Peters had resigned following the default of Mr Dhimani in meeting his contractual arrangements for the company's £3.3m rights issue announced in May.

The company will now proceed with the rights issue without Mr Dhimani, the company said. "Arrangements for the underwriting are in the process of finalisation prior to the circulation to shareholders."

Neither Mr Dhimani nor Mr Peters were available for comment yesterday. Memcom's shares fell 1p to 22p.

Berkertex has attacked Ellis & Goldstein, the fellow womenswear group for which it is mounting a \$28m bid, for "failing to respond to the changing retail environment".

The Ellis board, which is advised by Kleinwort Benson, has repeated its rejection of the Berkertex offer. Mr Alan Phillips, Ellis chairman, described it as "a blatant attempt to buy Ellis & Goldstein at the cheap".

In its offer document, which has been sent to shareholders, Berkertex criticised Ellis for allowing Eastern and Dereca, its established womenswear brands, to "languish".

It also attacks the "costly failures" of EX and Jenni Barnes, two new brands launched by Ellis in recent years. EX has since been withdrawn while Jenni Barnes has been relaunched.

Berkertex, advised by SG Warburg, was formed by a manage-

ment buy-out from Raybeck - once one of the leading lights of the retail sector - two years ago. It now embraces the Berkertex bridal and womenswear businesses, and Fifth Avenue, a fashion wholesale company.

It is offering 65p in cash for every Ellis share. The Ellis share price, which has risen on speculation since the bid, stood at 112p yesterday. Berkertex intends to finance its offer by raising capital from institutional investors.

Jantar rebuffs bid approach

BY CLARE PEARSON

Tinsley Robor for SE

Tinsley Robor, a packaging and printing company, is preparing to join the stock market via a placing next month.

Granville, the financial services group, will place shares to raise about \$4m for the company.

This will give Tinsley a market capitalisation of about \$16m.

DIRECTORS of Jantar, the investment concern formerly involved in mining, have rebuffed a bid approach worth \$3.68m from Mr Stephen Parris, a private investor who has accumulated a 14.9 per cent stake.

Jantar's shares, which have risen sharply since Mr Parris took an initial 10.08 per cent stake last month, closed 25p higher at 105p yesterday, valuing the company at \$5.15m.

On Wednesday, Mr Parris approached Jantar with a view to buying it at 75p per share. He suggested taking control in

conjunction with Mr Birol Nadir, the 24-year-old son of Mr Asil Nadir, chairman of Polly Peck International, the international trading company.

Mr John Duffield, a director, said yesterday: "I'm not saying there isn't a price for the company, but this is far too low."

Mr Duffield is also chairman of Jupiter Turbutt, a financial management group. Its clients control 29.9 per cent of Jantar, consisting of 19 per cent held by members of the Turbutt family, which founded Jantar 85 years ago, with the remainder held by discretion-

ary clients.

A further 19.5 per cent of the shares are held by institutions whom Mr Duffield said he "knew to be friendly to the present management."

Mr Parris said: "In the light of the share price movement today I shall have to weigh up my options."

Mr Parris, 34, was a stockbroker with Douglas le Mare until a few weeks ago. Until last December he was a director of G.W. Joyson, a commodity broking organisation. He said Mr Nadir was a colleague at Joyson.

New name and generalist slant for TR Natural Res.

BY DAVID WALLER

TR Natural Resources, an \$85m investment trust, said yesterday it was reborn as the Sphere Investment Trust.

Shareholders at an extraordinary general meeting sanctioned this and other proposals designed to reorientate the trust as a generalist fund rather than a specialist one.

In the event, the meeting passed without rumpus with only one shareholder voting against any of the proposals put forward by Platou, a Norwegian investment company which acquired just over 50 per cent of TRNR's shares as a result of a takeover, bid last September.

A possible row had been defused earlier in the week after the board of TRNR dropped proposals to change the trust's

Strauss resigns as broker to John Michael Design

BY PHILIP COGGAN

Strauss, Turnbull has resigned as broker to John Michael Design, a US-quoted design consultancy, which is currently negotiating a reverse takeover.

Mr David Lambert of JMD said the decision was connected to the takeover plans. Strauss, Turnbull said that there was "no animosity" between the broker and the company.

Several earlier plans for the reconstruction of JMD have been abandoned.

Acal coming to USM

BY FIONA THOMPSON

Acal, which sells, markets and assembles products for electronic components and industrial controls, is joining the Unlisted Securities Market via a placing by J Henry Schroder Wagg.

At a placing price of 136p per share, the company is capitalised at £25.6m. Schroder Wagg is placing 1.2m shares, 15.2 per cent of the enlarged equity, to raise £28m. Existing shareholders are selling 900,000 shares to realise £1.2m and the 1.3m new shares being sold will raise £1.6m after expenses for the company.

The company was formed through a merger in February last year between the Ariema Group - the former main European operations of Ariema International Group (AIG) - and Centre Group, a private UK com-

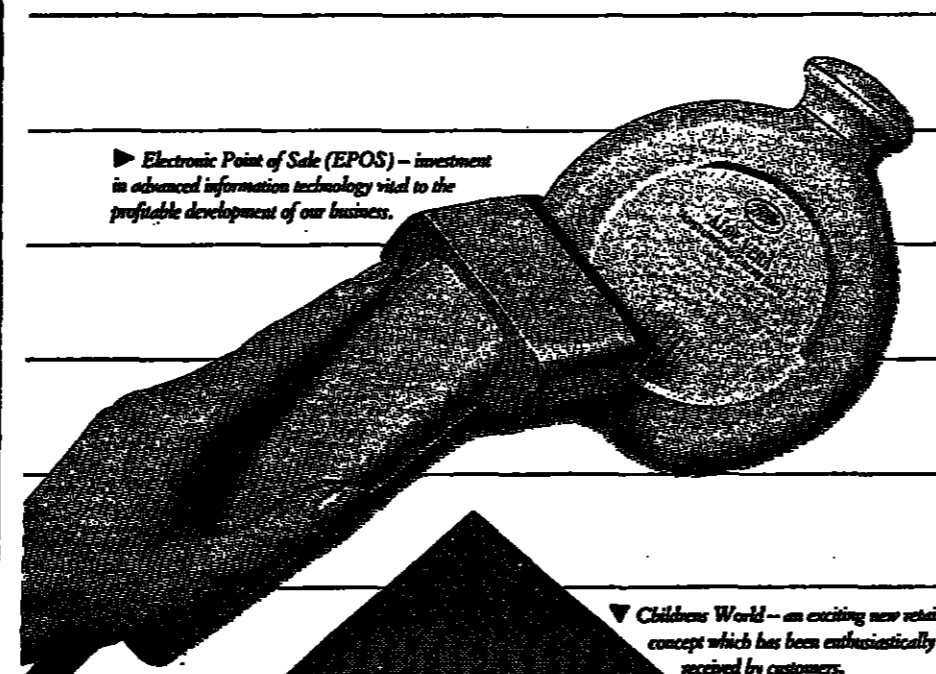
Articles of association. The proposed would have allowed the trust to concentrate its investments in only 15 investments, rather than the 25 that is now the case.

Mr Eivind Astrud, Platou's president, yesterday described the issue as relatively insignificant in the light of the major changes TRNR is set to undergo under the management of Marathou, a recently formed investment company.

However, he expressed the view that Sphere would be hampered in its investment policy if the change to its articles was not eventually made.

The proposal would have required the support of 75 per cent of TRNR's preference shareholders who were believed to be unhappy at the proposal.

THE BASIS FOR PROFITABLE GROWTH



	Preliminary Results		%
	1988	1987	
Group Profit and Loss Account for the year ended 31st March 1988.	£m	£m	
TURNOVER (including VAT)	2,697.1	2,351.7	+14.7
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	267.2	242.8	+10.0
Taxation	(78.1)	(77.4)	
Profit after taxation	189.1	165.4	+14.3
Minority interests	(5.0)	(1.5)	
Extraordinary profit after taxation	1.4	-	+15.0
Profit attributable to shareholders	189.7	163.8	+15.8
Dividends	(81.2)	(73.6)	
Profit retained	108.5	90.2	
Earnings per share	28.4p	18.5p	+4.6

	1988		1987	
	Turnover	Profit	Turnover	Profit
Industrial Division	519.2	101.8	487.3	84.5
Overseas - quarter to March 1987	59.1	12.8	-	-
Retail Division	578.3	114.6	467.3	84.5
Surplus on disposal of properties	21.3	-	21.0	-
Overseas - quarter to March 1987	148.0	-	144.4	-
Overseas - quarter to March 1987	48.2	(2.6)	-	-
	2,253.4	146.4	2,005.0	144.4
Interdivisional	(134.6)	-	(120.6)	-
Net interest and unrealized items	-	7.8	-	13.9
Overseas - quarter to March 1987	(4.8)	-	-	-
	2,697.1	267.2	2,351.7	242.8

These results do not constitute "half accounts" within the meaning of the Companies Act 1985.

GROUP HIGHLIGHTS:

- Profit before tax 10.0% higher including 15 months overseas results, 6.1% year on year.
- Industrial division sales increased 11.1% and profits 20.5% up year on year.
- The new US organisation continues to perform strongly.
- Excellent performance from Crookes Healthcare which markets products nationally in the UK.
- Expansion of the clinical trial programme for the new cardiovascular product Manoplex continues.
- Retail division sales increased 10.0% and profits in the UK by 4.8%, after absorbing start up costs of Childrens World.
- Sales reflect excellent increases in many merchandise categories, offset by the downturn in the audio-visual market.
- 700 stores upgraded and refurbished by the end of the current financial year.
- Childrens World progress encouraging. Eight stores now open.
- EPOS introduced into 74 stores and adding more stores at 3 per week.

New Throgmorton

The net asset value of The New Throgmorton Trust (1988) was 242.7p per capital share at end-March, a decline of less than 2 per cent on the figure prevailing a year earlier.

Lord Kers, chairman of this special investment trust, said the fall in net asset value compared with a decline of 10 per cent in the FT-100 All Share Index. "As long as the existing developments in the economy are not disrupted, I expect to be able to report gains next year for both classes of shareholders," he added.

A final dividend of 4p is proposed for the 12 months to March 31, making a total of 5.9p (4.9p) from earnings of 5.99p (4.97p).

IN BRIEF

ANGLO-EASTERN Plantations, holding company for Indonesian rubber, cocoa and palm oil plantations, said its two largest shareholders, Chillington Corporation and International Investment Trust of Jersey had raised their respective interests to 38.5 per cent and 38.33 per cent.

ARLEY HOLDINGS is acquiring System Software (UK), a computer software distributor. Initial consideration of £200,000 will be in cash and shares and an additional amount, up to £12,500, may be payable dependent on profits. System made pre-tax profits of £24,254 in the year to March 31 1988 and its net assets at that date were £26,733.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
BAA	4.25	Aug 10	5.2	7.25	6
British Telecom	5.75	-	5.1	9.5	8.45
Brown (N)	3.9	-	2.85	5	3.75
Camford Reg	1	July 22	-	-	3
Car's Building	1.75	July 5	1.75	7.25	-
Castle Allen Bldg	17.13	July 21	14.75	22.5	20.15
Electrocomp	3.1	-	2.6	4.37	3.7
James Finlay	2.15	-	2.15	4.15	4.15
ITT Information	2.7	July 26	2.25	4.95	3.3
Johnson & Firth	0.6	-	0.5	1.5	-
Leamouth S	1.2	Aug 23	-	1.7	4.15
Leigh Interests	3.82	Sept 30	2.75	6.55	5.5
London Property	5	July 2	3.85	6.85	5.5
Lonrho	4	Oct 3	4	13	-
M&C Second Deal	7.53	-	6.45	15.98	13.55
New Throgmorton	4	July 28	3.95	5.5	4.6
Phoenix Timber	2.5	-	1.5	2.9	1.5
RCO Holdings	2	-	1.46	-	4.88
Sidlaw	2.75	Aug 5	2	5.5	-
500 Group	3.44	Aug 1	3.44	5.78	5.78
Westland	1.55	July 29	1.25	3.5	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †Net capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market.

BOARD MEETINGS

Company	Date
Associated Newspapers	July 14
Law (Arthur)	June 22
Rowe & Lerner, Acas Tel	June 14
Unit Group	June 20
Went	June 20
Capital Gearing Trust	June 15
Elving Gold Mining	June 29
James Street	June 29
Reynolds & Co. Mining	June 29
Southdown Investments	July 5
Westland	June 22
Western Arms Gold Mining	June 29



Computer aided drafting - producing design drawings for store layouts and retail projects.

The full report and accounts will be posted to shareholders on 30th June 1988 and copies will be available from the Secretary of The Boots Company PLC, Nottingham NG2 3AA. The Annual General Meeting will be held at the Grosvenor House Hotel, Park Lane, London W1, at 11.00 am on Thursday 26th July 1988.

THE BOOTS COMPANY PLC

UK COMPANY NEWS

JFB reaches £3.85m

BY ANDREW HILL

Johnson & Firth Brown, Sheffield-based metals and engineering group, increased pre-tax profits by 44 per cent to £3.85m in the six months to March 31, against £2.67m in the equivalent period.

Turnover advanced to £50.4m (£42.4m), helped by a £8.5m contribution from Woodhouse & Rixson, the metal parts manufacturer bought for about £14.6m in September.

Mr Roy Shephard, chief executive, said: "JFB is moving away from exposure to the commodities part of the steel and aerospace industries and into speciality engineering - companies with decent niches where we are not exposed to all sorts of problems like currency and materials surcharges." Foundries and high integrity metals accounted for

about 61 per cent of sales in the latest period. Mr Shephard said he expected to reduce the proportion of sales from metals to about 10 per cent within the next decade.

He added that about 50 per cent of the growth achieved over the next three or four years would be organic, 25 per cent product development and the rest through selective acquisitions, adding to the existing activities.

Earnings per share rose from 1.6p to 2p. An interim dividend of 0.6p (0.5p) was declared.

comment

Last month's sale of its share of Sheffield Forgemasters - jointly owned with British Steel Corporation - will strengthen JFB's balance sheet when the

proceeds come through in July. Borrowings will come down from 56 per cent to about 33 per cent at a stroke. However, the sale also removes one of the stock's more interesting features, a focus of endless City speculation.

Attention will now shift to JFB's host of subsidiaries. Mr Shephard has shown his management mettle in the past and is apparently under no illusions as to the length of time it will take to turn JFB into a speciality engineering company, a necessary move as it is no longer possible to pass rising commodity prices on to customers. The results were in line with expectations and JFB shares rose 0.75p to close at 41.75p. On forecast full-year profits of £8m before tax they are on a prospective multiple of about 10, fairly

N Brown rises 47% to £13.5m

BY ALICE RAWSTHORN

N. Brown Group, the mail order company controlled by the family of Mr David Alliance, chief executive of the Coats Wyella textiles empire, yesterday announced a 47 per cent increase in pre-tax profits to £13.5m for the 53 weeks to March 5. Sales rose 37 per cent to £100.5m.

Mr Jim Martin, managing director, said that every part of the group had performed well during the year including the recently acquired financial and property services companies.

Earnings per share rose to 15.5p (11.5p). A final dividend of 3.5p is proposed, making a total of 5p (3.75p) for the year.

The mail order business - which specialises in catalogues for elderly, outside women - is still the dominant area of activity. It saw sales and profits rise by 29 per cent to £33.6m and £11m respectively.

Brown plans to test a new catalogue concept - directed towards more affluent women within its traditional target market - this

autumn. If it is successful, the catalogue will be launched nationally in autumn next year.

Two years ago Brown diversified beyond its traditional base by buying Morfit & Turnbull, a life insurance and pension broker.

It has since expanded into property services with the acquisition of Dunlop Heywood. These businesses contributed sales of £5.9m and profits of £2.5m during the year.

Electrocomponents in 15% advance

BY VANESSA HOULDER

Electrocomponents, the electrical distribution group, yesterday announced a 15.3 per cent increase in pre-tax profit from £40.5m to £46.7m on turnover of £210.9m against £203.0m.

Mr Tony Cluett, chairman, said that the company was well positioned in its markets and trading conditions were generally favourable. Misco, the computer supplies distributor, acquired for £11m in November, had achieved expectations, said Mr John Robinson, managing director. The UK and West German operations were trading profitably and the more recently formed Italian operation was expected to do so in 1988. Overall, acquisitions covered its financing costs with a small surplus.

The breakdown of operating profits was as follows: distribution to industry £39.1m (£35.2m); franchised component distribution £1.2m (£1.9m); distribution to retail £4.5m (£1.9m); distribution to commerce £1.2m (£0.4m). Discontinued businesses had losses of £0.5m (£0.6m). Interest receivable was £1.2m (£1.5m).

The distribution to industry sector, which embraced RS components, broadened its product range during the year and achieved satisfactory growth in sales and profits.

UK companies in franchised distribution experienced some strengthening in demand. However results from West Germany, where demand was low throughout the year were disappointing, said Mr Robinson. Management changes coupled with improvement in demand should bring a more satisfactory return he said.

The distribution to retail division performed well. The manufacture, design and distribution of decorative lighting products was now a significant part of the business, said Mr Robinson.

An extraordinary item of £0.7m was charged reflecting costs of transfer, closure or disposal of parts of Electropian in the UK.

After spending about £20m on acquisitions during the year, and increasing the inventory at RS Components by £14m, net borrowings at the year end were £3m and, including the loan stock issued for recent acquisitions, gearing was 7.5 per cent.

Earnings per share increased from 12.75p to 14.7p. A final dividend of 3.1p per share was recommended, making a total of 4.5p (3.7p) per share.

comment

These results offered no surprises and the share price barely wavered from 218p. Thus, with analysts forecasting profits of around £55m, the shares are on an above average multiple of 12. This high rating reflects the company's excellent record - in the past ten years it has achieved a compound earnings per share growth rate of 23 per cent. It also suggests that shareholders are sanguine about the company's efforts to diversify away from its core electronic components market, which is now relatively mature. Any move into markets where the company lacks expertise brings potential pitfalls although so far, its acquisitions in the lighting and computer supplies market have lived up to expectations.

Property helps 600 Group to 32% profit increase

BY CLARE PEARSON

SIR JEFFREY BENSON, chairman of the 600 Group, produced an up-beat statement on trading prospects yesterday as the machine tool manufacturer and distributor unveiled a 32 per cent increase in pre-tax profits from £5.08m to £6.68m in the year to the end of March.

The improvement included a £2.24m property profit. But Mr Benson said that during the last few months the 600 Group had seen a steady increase in order intake in both home and overseas markets.

"The outlook for the coming year is more promising than at any time in the last three years," he said. "British industry appears, at last, to have gained sufficient confidence to begin to replace its ageing manufacturing facilities. Such a programme of investment will, if it continues, augur well for the group's machine tool companies in the United Kingdom."

But he warned there were two significant factors which would affect its prospects: first, the future level of capital investment by UK industry; and second, the sterling exchange rate, since the group exports well over half its UK output and derives a significant part of its income overseas.

Sir Jeffrey said the group would be seeking to make acquisitions to reduce its dependence on machine tools. Manufacturing companies achieved operating profits of £1.32m (£1.77m) on turnover of £43.99m (£51.08m) in a context of low order intake during the first three quarters.

UK trading companies, which distribute a wide range of for-

sign-made tools, made £1.68m, against a loss of £382,000, on turnover of £38.56m (£31.05m). Overseas companies made £1.46m (£1.72m) on £41.28m (£40.78m) turnover.

The pre-tax result was struck after taking into account an exceptional net loss of £114,000 representing a change in the basis of contract accounting and reorganisation costs. There was a £462,000 extraordinary loss on the closure and sale of businesses and investments.

Earnings per share increased to 11.2p (7.5p). The final dividend is 3.45p, making 5.75p.

comment

As Sir Jeffrey says, the 600 Group's future hinges on how many machine tools manufacturing industry thinks it needs. If today's hopeful level of demand continues, the company could achieve the economies of scale that would impact on margins, and reverse the declining trend in its underlying businesses. There is certainly plenty of scope in the UK, which works with tools about double the age of those in West Germany, and the 600 Group's supply companies are well-placed to provide virtually any type they may want. Meanwhile, the company would be reaping the benefits of the rationalisations of the last few years. Currency translations, of course, continue to cast a shadow over overseas operations. Analysts are looking for an improvement in pre-tax profits to about £7.8m this year, including £2.2m of property. The shares have long been overvalued, so a prospective p/e of 9.3 makes them a hold.

RCO advances 40%

RCO Holdings, cleaning contractor, lifted pre-tax profits by 40 per cent from £669,000 to £938,000 for the six months ended April 1. After tax of £236,000 (£242,000), earnings came out at 6.57p (4.09p) per 10p share. The interim dividend is raised to 2p (1.6p).

ITL static at £2.5m

Profits were almost static at ITL Information Technology in the year to April 3. The taxable figure of £2.52m compared with £2.57m. Product development expenses rose 16 per cent to £4.26m. A final dividend of 1.6p makes 2p (0.01p).

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or to purchase shares. Application has been made to the Council of The Stock Exchange for the whole of the ordinary share capital of Dauphin plc issued and now being issued, to be admitted to the Official List. Dealings are expected to commence on Thursday 16th June, 1988.

DAUPHIN plc

(Registered in England and Wales under the Companies Act 1985 No. 2093821)

Placing by

BARCLAYS de ZOEETE WEDD
LIMITED

of 5,500,000 Ordinary shares of 5p each at 105p per share payable in full on acceptance

Share capital following the Placing

Authorised £1,400,000 Ordinary shares of 5p each Issued and now being issued fully paid £1,075,000

Dauphin plc and its subsidiaries are engaged in the design, manufacture and marketing of office, contract and industrial seating and a growing range of diversified components for other industries.

Of the 5,500,000 Ordinary shares placed, 66 per cent have been placed by McCaughan Dyson Capel Cure and 34 per cent have been placed by the regional Stockbrokers referred to below.

The Listing Particulars relating to the Company are available in the statistical services of Exel Financial Limited and copies may be obtained during normal business hours up to and including 25th June, 1988 from:

Stockbrokers Issuing House Regional Stockbrokers
McCaughan Dyson Capel Cure Barclays de Zoeete Wedd Limited Rensburg
65 Holborn Viaduct York House Silkhouse Court
London York Street Treharn Street
EC1A 2EU Manchester M2 3BB Liverpool L2 2NF1

and at the registered office of the Company, Peter Street, Blackburn, Lancashire BB1 5LH and up to and including 14th June, 1988 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD.

10th June, 1988



INVESTING SUCCESSFULLY TO INCREASE SHAREHOLDER VALUE

THE FACTS

In the year ended 31 March 1988, British Telecom:

- Increased turnover by 9.1% to £10.2 billion (\$19.2 billion).
- Increased pre-tax profit by 10.9% to £2,292 million (\$4,332 million).
- Increased earnings per ordinary share 12.6% to 23.6 pence (£2.36 per ADR).
- Increased dividend 12.4% to 9.5p net per share.
- Benefited from strong growth. Demand for domestic and international calls grew by 8% and 14% respectively.
- Made capital investment of £2.4 billion (\$4.5 billion) much of it in modernising networks, introducing new services and improving customer support systems.
- Doubled rate of introduction of modern digital central office switches.
- Installed 3 million digital access lines and 160,000 fibre kilometres of fibre optic cable.

British Telecom is one of the world's largest telecommunications companies. Together with its subsidiary and related operations, it is playing an increased role in worldwide telecommunications and information services, and is strongly positioned to benefit from the growth in global demand for better communications.

If you have any enquiries as an investor, please write to: Hugh Merrill, Investor Relations Manager, British Telecom, 81 Newgate Street, London EC1A 7AJ, England. Telephone: +44 1 356 5386.

THE FIGURES

Financial Results for year ended 31 March 1988

	Fourth Quarter		Full Year	
	1987/8	1986/7	1987/8	1986/7
	£m	£m	£m	£m
Turnover	2,688	2,394	10,185	9,339
Operating profit	691	629	2,609	2,349
Profit before taxation	598	555	2,292	2,067
Profit attributable to ordinary shareholders	371	341	1,417	1,257
Earnings per ordinary share	6.2p	5.6p	23.6p	20.9p
Dividends per ordinary share (net)			9.5p	8.45p

The accounts from which these figures are extracted have not yet been filed with the Registrar of Companies or reported on by the auditors.

These financial results have been prepared in accordance with accounting principles generally accepted in the UK. Dividends are stated net of UK tax credit.

A final dividend of 5.75 pence net per share will be proposed to the Annual General Meeting, making a total dividend of 9.5 pence net for the year. It will be paid on 5 September to those investors on the register on 4 August 1988.

The Annual General Meeting will take place on 29 July 1988 at the National Exhibition Centre, Birmingham, West Midlands. The Report and Accounts and information about this and other shareholder meetings will be posted to investors from 23 June 1988.

North American investors should contact: John Doherty, Vice President Financial Relations, British Telecom Inc., 150 East 52nd Street, New York, New York 10022. Telephone: (212) 319-1945.

British TELECOM Investing for growth

GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	Div	Yield	P/E
230 185	Am. Brit. Int. Ordinary	230	+2	8.7	3.8	8.6
230 186	Am. Brit. Int. GULS	230	+2	10.0	4.5	-
39 25	Armitage and Rhodes	39	-1	-	-	-
57 50	B&B Design Group (GSM)	56	0	2.1	3.7	8.9
105 100	B&B Design Group (GSM)	105	0	2.7	1.7	27.4
110 100	Barclay Group Com. Prof.	110	0	5.2	3.7	10.2
140 137	Gray Technologies	140	0	11.0	10.3	-
107 100	Brownell Com. Prof.	107	+1	12.3	4.5	4.1
269 246	CCL Group 11% Conv. Pref.	246	+1	14.7	10.4	-
141 124	CCL Group 11% Conv. Pref.	141	+1	14.7	10.4	-
124 129	Carbo Pte (G2)	124	0	11.1	4.1	9.2
112 100	Carbo Pte (G2) Pref. Divd	112	0	10.3	9.2	-
235 147	George Blair	235	0	3.7	1.6	6.5
94 60	Int. Group	94	-1	3.4	3.3	11.2
181 87	Jackson Group	181	-1	3.4	3.3	11.2
340 295	McLennan BV (AmSD)	330	0	10.4	5.2	11.1
52 40	Robert Jencks	52	0	8.0	2.7	20.8
295 126	Scribner	295	+2	8.0	2.7	20.8
284 194	Taylor & Carlisle	280	0	7.7	3.9	7.7
81 56	Trevitt Holdings (GSM)	81	+2	2.7	3.6	4.3
108 100	Unistrut Europe Com. Prof.	108	0	2.7	3.6	4.3
280 200	W.S. Yeates	283	0	16.2	5.7	7.9

Securities designated (SD) and (USSD) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of JSA.

These Securities are dealt in strictly on a matched basis. Neither Granville & Co nor Granville Securities Ltd are market makers in these securities.

Granville & Company Limited
1 Level Lane, Leamthorpe, Lincs LE14 5EP
Telephone 01-621 1212
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Postfach 13 05 80 - 4100 Duisburg 13

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4300 Essen 1

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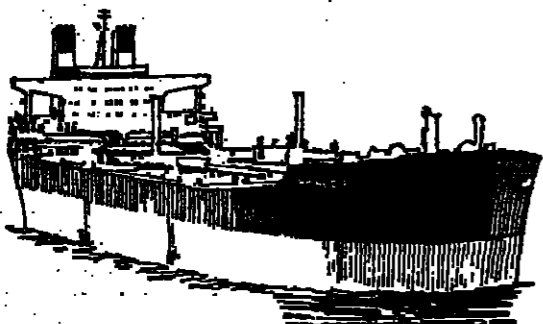
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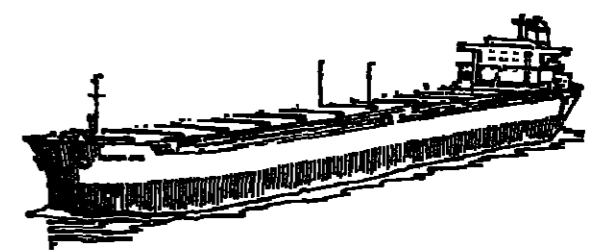
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Krupp Lonrho has Europe's largest bulk shipping fleet

A strong presence in Europe LONRHO

Lonrho Plc, Cheapside House, 138 Cheapside, London EC2V 6BT



Krupp Lonrho fleet totals over 3 million deadweight tons

FT LAW REPORTS

UK COMPANY NEWS

FILMS ROVER INTERNATIONAL LTD AND OTHERS v CANNON FILM SALES LTD v PROPER FILM LTD AND OTHERS

Court of Appeal (Lord Justice Kerr, Lord Justice Dillon and Lord Justice Nicholls): May 25 1988

ADVANCES PAID in instalments under a joint venture agreement can be recovered on the ground of total failure of consideration if, though the payer received some incidental benefit, it was not the benefit for which he bargained. And where the payee has successfully relied on the contract's invalidity when resisting a claim for its continuance, they cannot then seek to impose a ceiling on any quantum meruit due to the payer, to reflect his alleged breach of the non-existent contract.

Joint venture advance to be repaid

tribution in Italy of 17 films in which Thorn had the necessary rights. The brothers and Mrs Karlin were connected with Monitor, an Italian film distributor. Under the joint venture Thorn would supply master prints of the films, which would remain its property, and Monitor would arrange for dubbing, artwork and distribution to Italian cinemas. The gross receipts from release of the films were to be split. Substantial advances were to be paid to Thorn by instalments on account of its ultimate share of the gross receipts.

Thorn, and the process of requisitioning prints and dubbing them got under way. Everyone was oblivious of the fact that Rover had not yet been incorporated. That happened on February 6, and passed unremarked. Matters proceeded normally until about May 1, when Cannon took over Thorn and management of the agreement. By the end of June it had become clear that Cannon was determined to use any means to bring about re-negotiation or termination of the agreement. It made many unfounded allegations against Rover. A good deal of the correspondence could only be described as chicanery.

Mr Justice Harman rejected the former contention, and did not expressly deal with the latter. He said the consideration had not failed, in that Rover had had several films, including Highlander, and distributed them in Italy "for payment no doubt of substantial sums." The question was not whether there was consideration sufficient to support a contract. The test was whether the party claiming total failure of consideration had in fact received any part of the benefit bargained for. Rover's possession of the films was merely incidental to performance of the contract, in the sense that it enabled Rover/Monitor to dub and release them. Delivery and possession were not what Rover had bargained for. The relevant bargain was the opportunity to earn a substantial share of gross receipts, with the certainty of at least breaking even by recouping the advance. Due to invalidity of the agreement Rover got nothing of what it had bargained for, and there was clearly a total failure of consideration.

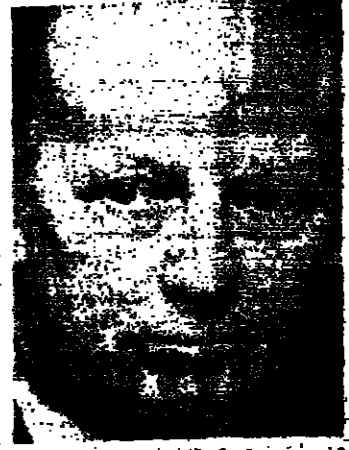
Mr Justice Harman rejected the former contention, and did not expressly deal with the latter. He said the consideration had not failed, in that Rover had had several films, including Highlander, and distributed them in Italy "for payment no doubt of substantial sums." The question was not whether there was consideration sufficient to support a contract. The test was whether the party claiming total failure of consideration had in fact received any part of the benefit bargained for. Rover's possession of the films was merely incidental to performance of the contract, in the sense that it enabled Rover/Monitor to dub and release them. Delivery and possession were not what Rover had bargained for. The relevant bargain was the opportunity to earn a substantial share of gross receipts, with the certainty of at least breaking even by recouping the advance. Due to invalidity of the agreement Rover got nothing of what it had bargained for, and there was clearly a total failure of consideration.

able deduction for distribution expenses on payment of the advance, became due to Cannon. Rover's claim for quantum meruit was irretrievable, and should relate to services rendered by Rover and by Monitor, its agent. Cannon contended that the quantum meruit should be subject to a "ceiling", which would take account of Rover's breach of contract and Cannon's consequent right. That would not be correct. First, it was not simply a case of a contract which was void ab initio without either party's knowledge and then broken by Rover. It was a case where the invalidity was discovered by Cannon, no doubt with considerable satisfaction, and relied upon. When Cannon first invoked the contract, there had been no breach on Rover's side, merely unfounded allegations of breaches and other unattractive conduct by Cannon. In those circumstances it did not appear unjust that Cannon could not have the best of both worlds - reliance on the invalidity of the contract ab initio as well as upon a subsequent breach by Rover. Cannon must accept the primary basis on which it had succeeded, which was invalidity, and could not also rely on Rover's breach of the non-existent contract. It followed that an account was to be taken for the purpose of assessing an appropriate quantum meruit. The appeal was allowed. Lord Justice Dillon gave a concurring judgment. Lord Justice Nicholls agreed. For Cannon: Alan Pardoe QC and Ralph Wynne-Griffiths (Jeffrey Green & Russell). For Rover: Ederick Cordara (Barlow Lyde & Gilbert). Rachel Davies Barrister

Boots £267.2m meets estimates

BY CLARE PEARSON

PRE-TAX profits of Boots, retail chemist and pharmaceutical group, for the year to end-March came out in line with City expectations at £267.2m last year. But taking out an extra quarter's contribution of £10.2m from overseas operations, where the year-end has been changed, and a £21.2m property profit, the profit figure worked out just 6.5 per cent higher at £298.2m on turnover up 14 per cent at £2.69bn (£2.56bn). Currency translation losses within the industrial division, where there was a first full year's contribution from the former US Flint Laboratories businesses, took 5m off the profits figure. Earnings per share rose 4.6 per cent to 24p. The retail division achieved profits growth, excluding property sales, of only 2.7 per cent to £126.7m on turnover of £2.21bn (£2.1bn). UK results were depressed by a poor Christmas period, especially in sales of audio-visual equipment, and by continuing start-up costs of the Children's World children's lifestyle shops. Losses in overseas retailing companies increased. This reflected start-up costs in the French chain of beauty stores, which were "now approaching viability", and a poor performance by the Canadian drug store business. Boots announced it was selling the loss-making part in April. The industrial division, over-the-counter health products and drugs, performed strongly with profits rising to £101.8m (£94.5m) on turnover of £518.2m (£487.2m), both on an annualised basis. The US was the main contributor, in the UK sales growth of 11 per cent mainly came from Crookes Healthcare. There is a proposed final dividend of 5.7p, making 8.8p for the year, a 10 per cent increase.



Robert Gunn - chairman of Boots.

comment Until Boots can transform its protestations of a more dynamic management style into a visible improvement in profits, the market is likely to answer them with a resounding "no what", which was precisely what happened yesterday. The company's refusal to split its results up into their component parts (beyond distinguishing between the industrial and retail sides) may mask a range of good points, but what was clear was that the overall retailing margin had fallen, to 5.75 per cent, while it is a fair conjecture that industrial profits were lower, stripping out Flint. However, the retail side should put in a better performance this year, given the disposal of some of the Canadian outlets and improvements in management information systems being put in place. Manoplex should lift industrial sales over the longer-term, although it is still running the gauntlet of the clinical trial period. Profits, clean of about £20m from property, may be between £250 and £260m this year. The share, on a prospective pie of more than 30, are at least undervalued by the fairly generous dividend.

Hunter Saphir accelerates and further growth ahead

DESPITE DIFFICULTIES in its fruit importing business, Hunter Saphir achieved an 82 per cent increase in pre-tax profits from £2.7m to £49.1m in the year to February 28 1988. The year had been one of "excellent progress" throughout the group, said Mr Nicholas Saphir, chairman. The strategic developments of both of its activities, food manufacturing and distribution, had been successful and he expected exciting growth over the next few years. In December the group moved from the USM to a full Stock Exchange listing. The total dividend for the year is lifted from 3.5p to 4.06p with a proposed 2.7p (2.25p) final. Earnings worked through at 11.53p (8.5p) basic, and 10.7p (8.42p) fully diluted. The chairman said it was too early to gauge the current year's results but the balance of earnings had shifted towards the second half of the year. The current problems in the fruit division, he said, would be overcome, he said, by the relocation of its operation alongside the warehousing and production facility. That would result in a reduction in overheads and improvement of margins, but would have a dampening effect on the first half of the year. Turnover for 1987/88 showed an 80 per cent improvement to £163.67m (£81.02m). Operating profits more than doubled to £6.62m (£3m) but interest took more at £1.62m (£256,000). Tax amounted to £1.8m (£282,000) and there was an extraordinary £200,000 (£358,000) debit relating mainly to closures and costs of the listing.

Recovery at Sidlaw

A SUSTAINED improvement in all services and a strong performance by the textiles operation enabled Sidlaw Group to report a sharp recovery in profits at the midway stage. Earnings per share worked through at 7.58p (2.44p). The pre-tax profits rose to £2.69m against a depressed £744,000 last (2p).

Carr's ahead midway

Carr's Milling Industries did the flour milling side which responded well following a poor harvest last summer. However, chicken processing and egg laying operations continued to be affected by prices which would affect the outcome for the full year. The interim dividend is maintained at 1.75p, from earnings of 10.8p (8.1p) per share.

Learmonth improves 31% to £1.91m

Learmonth & Burchett Management Systems, computer systems consultant, reported pre-tax profits of £1.91m for the year ended April 30 1988, a 31 per cent increase on last year's £1.46m. Turnover was up 42 per cent to £10.76m from £7.56m and a final dividend of 1.2p has been recommended, making a total of 1.7p for the first year since its flotation on the USM in June 1987. Earnings per 10p share rose to 10.3p from 7.6p last year, an increase of 35 per cent. Product development investment was stepped up to £1.1m and was written off fully against profits. Revenues from UK consultancy increased by more than 40 per cent, mainly from major blue-chip clients in the commercial and financial sectors. The training division achieved a 30 per cent growth in revenues and US sales rose 27 per cent in dollar terms. Mr Rainer Burchett, chairman, said he had great confidence in the company's ability to maintain growth.

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AFBD MEMBER

UK COMPANY NEWS

Delivery delays prompt Westland fall to £13m

BY VANESSA HOULDER

REDUCED SALES, delayed deliveries and the weakness of the dollar hit interim profits at Westland, the helicopter company, this week. The company's profit for the six months to March 31 1988, against £24.8m in the comparable period before a £16m exceptional provision. Turnover fell from £185.5m to £185.5m.

The results disappointed most City analysts, although the share price was unchanged at 87p. Sir John Cockney, chairman, said the group was at the beginning of its anticipated lean period before benefitting from good longer-term prospects. The company was not yet half-way towards its full recovery, which, he maintained, would take at least five years from the completion of its major financial and organisational restructuring.

Sir John said there had been a number of very encouraging developments. These included the award of a definition contract to E.H. Industries, half owned by Westland, for the new shipborne aircraft for the Canadian navy. The UK Ministry of Defence had

placed a development contract for a new mark of Lynx, which should be followed by an order for sixteen helicopters.

Profits from the helicopter and customer support division, responsible for £124.4m (£17.8m) of sales, declined from £16.2m to £7.8m.

The main disappointment of the half year was a delay on deliveries of the major export orders for Sea King helicopters. The delay was largely responsible for a sharp rise in interest costs from £0.6m to £2.8m. Deliveries are expected to begin this year. The aerospace division swung into loss following a customer's rescheduling of a major order and pressure on margins due to the weakness of the dollar. A loss of £0.5m was made on turnover of £16.5m, compared with a profit of £1.9m on turnover of £20.9m. Sir John Treacher, deputy chairman, said he expected the division to make a profit in the full year.

The technologies division, which also suffered from the weakness of the dollar and squeezed margins, reported a fall in profits from £5.9m to £4.2m on turnover of £49.8m (£44.2m). A

consolidation adjustment of £1.0m (£0.8m) was made.

Research, development and launch costs fell from £2.2m to £0.4m.

Earnings per share increased from 2.7p to 6.5p. The dividend was unchanged at 1.25p per share.

Comment

These disappointing results and the static dividend provoked, for most part, a mood of gloom about the company. Westland is now experiencing its long expected gap in orders, with at least two years before it will see a return on its new EH101 naval helicopter. And the non-helicopter interests, which a year ago seemed a promising area of diversification, singularly failed to perform this year. That said, the prospect of an order for 16 Lynx helicopters brightens up the picture and could mean a modest profit recovery comes sooner than expected. For this year, however, analysts expect profits of about £25m. That puts the shares on a multiple of 8, which leaves little to go for in the short term.

Acquisitive Leigh rises 67% to over £4m

Increased volumes throughout its operational regions resulted in a 67 per cent increase in pre-tax profits to £4.12m for Leigh interests, specialist waste collection and treatment company, for the year to March 31 1988.

Total turnover for the 12 months was just ahead at £42.35m (£42.25m), while turnover of its continuing activities rose by 24 per cent to £41.45m (£33.32m).

An increased final dividend of 3.82p (2.75p) is recommended for a total of 5.66p (4.15p). Earnings per share improved from 8.4p to 12.8p.

Mr Bill Fybus, chairman, said performance had not been significantly affected by the group's recent acquisitions as most had been made towards the end of the financial year. The company spent £5.9m on acquisitions during the period. Looking ahead, he said the group was well placed to continue its profitable progress and was on course for another very good year. Sales and profits for the first two months of the current year were ahead of last year.

He said Leigh intended to continue growth both organically and by acquisition and, in the medium-term through the implementation of legislation which strengthened the mandate for safe waste disposal.

Interest charges fell to £1.03m (£1.53m). Tax took £1.53m (£286,000), and there was an extraordinary £188,000 (£83,000) credit.

“Lonrho’s profit attributable to shareholders has increased by 31%”

R W Rowland, Chief Executive

See statement

Lonrho presents its interim figures for 1987/88 with another record profit before tax of over £80 million. Profit attributable to shareholders has increased by 31% compared with last year and earnings per share have risen by 17%. A substantial improvement in taxation and structural efficiency has enhanced this performance.

The second interim dividend has effectively been increased by 17% as a maintained dividend of 4.0 pence per share has been declared on an increased share capital following the 1 for 6 capitalisation issue.

The performance of the Group's United Kingdom companies has been strong with particularly good contributions being made by the hotel, motor distribution and printing and publishing activities.

Overseas, the Princess Hotel Group, which has recently acquired the Marquis Hotel, a deluxe award winning hotel in Palm Springs, has reported an increase in sterling profits for the first half year compared with 1987.

The substantial expansion of the Group's gold and platinum mining activities continues with current annual output in excess of 800,000 ounces of gold and platinum group metals. The Group is thus in a good position to benefit from the prevailing enhanced prices in gold and platinum. The mining programme for the future is on target to achieve well in excess of one million ounces production of metals by 1990.

The Group balance sheet remains strong with cash balances and unused facilities of over £1,000 million.

We expect that trading for the full year will certainly exceed that of last year.

Following the interest expressed on the subject at the last Annual General Meeting, the Directors intend next year to offer shareholders the option to take shares in lieu of cash in respect of dividends. This proposal will be subject to the approval of shareholders at the next Annual General Meeting.

Yours sincerely,
R W Rowland

9 June 1988

The unaudited results of the Lonrho Group of companies in respect of the six months ended 31 March 1988 are as follows:—

	6 months to 31 March 1988	6 months to 31 March 1987
	£m	£m
Turnover	1,430.8	1,370.2
Profit before tax	80.4	76.1
Tax	30.2	35.2
	50.2	40.9
Minority interests	2.8	4.8
Profit attributable to shareholders before extraordinary items	47.4	36.1
Earnings per share	10.8p	9.2p

- Notes
- The Group's share of the turnover of associates was £283.8m (1987—£272.4m) and is excluded from the above.
 - Profit before tax includes profits from associates of £18.4m (1987—£17.2m).
 - Tax charge: because of the incidence of accelerated tax allowances, the tax charge provided at the half year can only be estimated.
 - Earnings per share have been adjusted for the capitalisation issue on 22 April 1988.
 - Extraordinary profits—£0.5m (1987—charges £4.0m).

Dividend

The Board has declared a second interim dividend of 4.00p (1987—4.00p) per share for payment on 3 October 1988 to shareholders on the Register at 2 September 1988. This dividend is in addition to the first interim dividend of 1.00p (1987—1.00p) per share declared on 28 January 1988 and paid on 6 April 1988. The cost of the first and second interim dividends amounts to £21.5m (1987—£18.0m).

LONRHO

LONRHO Plc, CHEAPSIDE HOUSE, 138 CHEAPSIDE, LONDON EC2V 6BL

Phoenix Timber profits rise sharply to £1.47m

Phoenix Timber Group, timber importer, merchant and processor, achieved a sharp rise in profits in the year to March 31 1988. The taxable figure rose from £641,000 to £1,470,000 on turnover up 37 per cent from £26.34m to £48.55m.

The proposed final dividend of 1.5p makes a total of 2.5p (1.5p) for the year.

Mr Peter Quinn, chairman, said that despite the sharp

improvement margins were not satisfactory in all parts of the group. Further improvements were being sought through continued refinement of management and financial controls and increased emphasis on sales and marketing activities.

However, prospects for the building industry remained favourable and the group had a sound basis for a satisfactory result this year.

James Finlay profits fall to £3.12m

James Finlay, Glasgow based international trader and financier, with tea and oil interests, reported disappointing pre-tax profits of £3.12m for 1987 compared with £4.76m in 1986. Turnover was £20m lower at £156m.

A final dividend of 2.15p has been recommended making 4.15 in total for 1987, the same as for the last three years.

Greenwich Resources

Greenwich Resources, the mineral exploration and production group which owns the Gebelt gold mine in Sudan as well as other exploration interests in Egypt and Venezuela, lifted pre-tax profits by 32 per cent from £482,000 to £636,000 in the six months to end-March.

Operating income rose to £611,000 (£78,000), while administration expenses increased to £194,000 (£119,000). There was again no tax charge and earnings per share rose to 2.2p (2.1p).

Camford rises 40%

Camford Engineering, metal pressings and forgings manufacturer, pushed pre-tax profits up 40 per cent in the six months ended March 31 1988 from £1.12m to £1.57m. Turnover was ahead 51 per cent from £28.72m to £43.51m.

Tax was £548,000 (£291,000) and earnings 5.77p (4.37p). The company has decided to restore dividends at the interim stage with the payment of 1p.

Colroy flotation

Colroy, residential homebuilder, has announced details of its flotation on the main market. Barclays de Zoete Wedd is placing 2.15m shares, 24.5 per cent of the enlarged equity, at 150p each, for a market capitalisation of £13m.

Pre-tax profits of not less than £2.35m for the year ending July 31 are forecasted. The shares will be on a prospective p/e of just under 7 at the placing price.

BAA plc
A successful first year

CURRENT COST INFORMATION		HISTORICAL COST INFORMATION	
Year to 31 March 1988	Year to 31 March 1987	Year to 31 March 1988	Year to 31 March 1987
£m	£m	£m	£m
523	439	523	439
136	90	166	124
75	46	105	80
1,346	1,138*	898	694*
7.25	—	7.25	—
15.0	9.2*	21.0	16.0*
63.7	55.3	63.7	55.3

*National

This statement contains information from the consolidated accounts of BAA plc for the year ended 31 March 1988. An unaudited Auditors' Report has been given in respect of these accounts and they will be delivered to the Registrar of Companies.

- In the year to 31st March 1988 - BAA's first year in the private sector - traffic increased by 15% to a total of 63.7 million passengers at the seven BAA airports.
- Pre-tax profits reflect the growth in traffic, with CCA profit up by 51% to £136 million and HCA profit up by 34% to £166 million.
- Capital expenditure rose by 19% to £182 million. Major projects include the completion of the first phase of Gatwick's North Terminal which opened in March; the refurbishment of Terminal 3 at Heathrow and the development of Stansted's new terminal complex.
- The substantial increase in shareholders' funds during the year reflects the revaluation of certain properties upon their reclassification as investment properties.
- In the future the strength of the core airport business will remain the major factor in pro-

moting growth. Plans for expansion are based both on the existing business and on new opportunities being sought in property, hotels, the air transport industry and international operations. The recent offer for Lynton Property & Reversionary PLC supports BAA's policy to expand its property activities including the development of its own land.

- The Board recommends the payment of a final dividend of 4.25p (net) per share, making a total for the year of 7.25p (net).
- As foreseen, following last year's abnormally high growth rate the indications are that in 1988/9 business is returning to a more normal level of growth.



Heathrow ◀ Gatwick ◀ Stansted ◀ Glasgow ◀ Edinburgh ◀ Prestwick ◀ Aberdeen

This advertisement has been approved for the purposes of the Financial Services Act by a person authorised by the Institute of Chartered Accountants in England and Wales. BAA plc is required by the rules of the Securities and Investments Board to indicate that past performance is not necessarily an indication of future performance.

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May 1988
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COMMODITIES AND AGRICULTURE

Divided Opec faced with another uphill struggle

BY RICHARD JOHNS

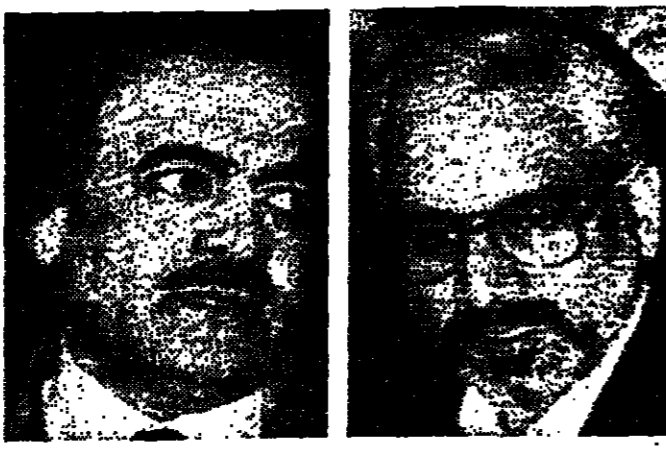
SELDOM has the Organisation of Petroleum Exporting Countries been so divided. The ministerial conference starting in Vienna tomorrow will face an uphill struggle to make any more progress than the last one, five weeks ago, towards a coherent accord on a collective production level and individual quotas calculated to raise prices to the avowed common objective of around \$18 per barrel set as long ago as December 1986.

The 13 oil ministers met somewhat reluctantly in late April because members - even Saudi Arabia, which was on record as opposing any gathering - could hardly ignore an unprecedented initiative by six other producers led by Mexico to cut their output by 5 per cent if Opec did the same.

In the event they could not agree on any counter-proposal, let alone an offer which might encourage and develop future non-Opec collaboration - a key policy aim adopted two-and-a-half years ago. Indeed, the six ministers could only regard the insistence of the conservative Arab producers of the Gulf on barrel-for-barrel cuts as negligible.

Since then there have been contacts with the six but they have received nothing that could be remotely be considered an answer to their offer, one Mexican official has pointed out. Opec production of crude oil, meanwhile, has climbed from an average of about 17.5m barrels a day in the first quarter to about 18.6m b/d. The current pact is supposed to limit output of 12 of the members to 18.6m b/d. Iraq, which excluded itself from the pact, has a maximum potential of about 2.7m b/d. That implies an excess of about 1m b/d.

Predictably the last meeting was overshadowed by other disputes - notably over quota violations. These now will dominate this conference at the expense of collaboration with non-members. Logically, that makes sense because Opec cannot reasonably contemplate a deal with other producers when its own members are not adhering to its production pact.



Hisham Nazer and Ghobadrez Aghazadeh, Oil Ministers of Saudi Arabia and Iran - The two camps are still wide apart

These now will dominate this conference at the expense of collaboration with non-members. Logically, that makes sense because Opec cannot reasonably contemplate a deal with other producers when its own members are not adhering to its production pact.

For the time being, however, differences seem to be insuperable. Essentially they are between the four conservative Arab producing states of the Gulf, in particular the two heavyweights, Saudi Arabia and Kuwait, and the rest. Resolving them will now no be harder than ever as a result of the continuation of the Gulf conflict between Iran and Iraq.

The two camps are still wide apart in their estimates of demand for Opec crude for the second half of 1988. Experts of the minority of four have forecast a requirement - assuming neutral stock movements - of 18.9m b/d while the majority calculate 17.6m b/d, a very wide gap of 1.3m b/d.

Certainly any move by the minority to raise the ceiling and quotas will be fiercely opposed by the majority, which will argue that there is no scope for any such relaxation. Among them there are grave doubts whether Kuwait and, to a lesser extent, Saudi Arabia actually wanted a prices restored as high as \$18.

The whole debate will be complicated and bedevilled by the latest contentious issue to emerge within Opec. That is over the definition of what actually constitutes crude oil.

Venezuela's practice of classifying crude over 40.2 degrees API gravity as condensate - reservoir gas which liquefies at the surface - has incensed Sheikh Ali Khalifa al Sabah, the Kuwaiti Minister of Oil, who points out that the definition could add 2m b/d to overall Opec supply.

LME calls squeeze meeting

By Kenneth Gooding, Mining Correspondent

CLEARING MEMBERS of London Metal Exchange have been called to a special meeting today where it is widely believed will be taken to task about squeezing already-tight metal supplies by withholding material from the market.

Strong demand and low stocks have made most of the metals traded on the LME vulnerable to squeezes which increase price volatility.

In February the LME called an extraordinary meeting to prevent a crisis in the nickel contract, suspended the first of the afternoon's trading sessions and urged member-companies to lend to the market, that is to sell cash metal and buy forward.

More recently it has given warnings that it was monitoring the copper and aluminium contracts very closely.

The recent squeeze on the aluminium market is known to have been causing the LME Board concern. Yesterday the authoritative Metal Bulletin said: "Major market-players are undoubtedly working the squeeze to their own advantage if not actually perpetuating it."

The magazine previously suggested LME representatives were told privately, after a recent meeting of the International Wrought Copper Council, that one company which was withholding material from the market was "exercising a very thin line between technical squeeze and deliberate manipulation."

The IWCC represents producers and consumers of the LME's most heavily traded metal. Mr Michael Brown, LME chief executive, said last night that today's meeting was private. He refused to say what it was about.

Court freezes Tin Council assets

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DETAILS OF some assets of the International Tin Council have been revealed for the first time in the High Court, London. The council collapsed into insolvency in October 1985 with debts totalling about £500m.

The council's administration account contains about £14,000 liquid assets, £21,000 owed by debtors and about £20,000 of furniture, equipment and motor vehicles.

Also, some ITC member-states owe the council £305,806 in contributions for this financial year.

Details of the council's tin-trading buffer-stock account were not disclosed, except that the account is owed £240,000 under a loan made to the administration account in 1980 to acquire the council's London premises. No repayment instalments of the loan have been made since October 1985.

The figures were revealed when the council applied successfully for a temporary order. This was to stop Maclaine Watson, a London Metal Exchange trader and ITC creditor, seeking to recover money from the administration account pending hearing in the next few weeks of the council's claim that account is immune.

Maclaine Watson is to seek the appointment of a receiver of the council's assets the "nature, value and location" of which the council had been ordered to disclose.

Yesterday Mr Justice Millett said the council, which had placed every possible obstacle in the way of Maclaine Watson recovering the £5m, could have a temporary stay of execution of his judgment, but only on the most stringent terms.

The administration account would be frozen because justice to Maclaine Watson demanded that not a penny in that account should, pending the outcome of the immunity application, be spent on wages or salaries, the council's ordinary business or legal expenses.

The judge said any part of the £305,806 due from members and received from today could be used by the council but only for ordinary business activities and legal expenses.

Also the council must transfer liquid assets from the administration account to the buffer-stock account - in respect of which no immunity claim is made - towards reducing the loan indebtedness.

If the council accepted those conditions it would not, until the immunity-claim outcome, have to give Maclaine Watson an affidavit detailing the bank accounts containing council assets, the judge said.

He said the council argued that if a stay were not granted it would be impossible for the council to use the administration account to pay day-to-day expenses or to fulfil its functions, such as collecting and distributing to members statistical information about tin production and consumption.

The judge said: "I am bound to say that this plea does not excite much sympathy. The ITC is hopelessly insolvent. It has made no attempt to pay any creditors."

"I see no reason whatever why it should carry on - still less why it should be assisted by the court to carry on - any business activity of any kind at the expense of its creditors."

He said that had the court had the power to do so it would have wound the council up.

The hearing continues today. Solicitors for Amalgamated Metal Trading, an LME creditor of £5.2m, said yesterday no decision had yet been taken on whether to appeal to the Law Lords against the striking-out of its petition for the ITC's compulsory winding-up.

The petition was struck out by the High Court in January last year on the ground that the court did not fall within the court's winding-up jurisdiction, a decision upheld in April by the Court of Appeal.

Mr Scott said LME had no power to make Rule M. Even if it had the power, the rule had been previously passed because LME used an invalid procedure.

The rule had been passed after explicit warning from Shearson that it would not accept any such rule as valid and that LME lacked the necessary power.

Mr Scott said one of the more startling aspects of the case was that the LME committee chairman had told its members they should not be deterred from passing Rule M by the fact that Shearson had warned it would challenge the rule's legal validity.

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Shearson challenges exchange's 'ring-out' rule

BY OUR LAW COURTS CORRESPONDENT

MILLIONS OF pounds due to be paid to two Shearson Lehman companies under tin contracts ceased to be payable when, following the International Tin Council's collapse, London Metal Exchange passed a rule fixing the price at which outstanding contracts were to be settled, the High Court was told yesterday.

The two companies are Shearson Lehman Brothers, a trading company owned by American Express, and its subsidiary, Shearson Lehman Metals, a ring-dealing member of the LME.

They are challenging the validity of Rule M, which fixed a so-called ring-out price per tonne overriding existing contract prices.

Shearson is claiming damages for alleged breach of duty and/or negligence against The Metal Market and Exchange Company, which runs the LME, and individual members of the LME committee.

In the same action Shearson is claiming £7.5m from Maclaine Watson, a subsidiary of Drexel Burnham Lambert, and £19.6m from J.H. Rayner (Mining Lane), part of the S. & W. Berisford group, under tin contracts.

Mr Peter Scott, QC, for Shearson, told Mr Justice Millett that if Rule M were valid the effect would be to rewrite contracts Shearson had entered.

Prices and delivery dates would be changed and Rayner, Maclaine Watson and others would be released from their contractual obligations.

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John Elliott looks at crop prospects following last year's damaging drought

India gambles on a good monsoon

AS ANNUAL monsoon rains begin to move across southern and central India, boosting hopes for this year's crops, the Government of India is preparing to make up grain imports to make up shortages caused by last year's drought.

India has already broken its proud record of self-sufficiency in food grains by ordering 1m tonnes of wheat in the open market from the US for delivery in the next five months, and 500,000 tonnes of rice from Thailand.

Now it is planning extra imports of about 2m tonnes of wheat and 25,000 tonnes of rice in the next few months.

However, with stocks severely depleted, these imports will still leave the country's grain cover about 3.5m tonnes to 4.5m tonnes below the level the Government regards as ideal.

About 30,000 tonnes of milk powder and another 30,000 tonnes of butter oil are also being imported by the National Dairy Development Board from the US and Europe. This is needed to supplement milk procurement, which has grown by only 3 per cent in the past year, because of the drought, compared with about 20 per cent annually in recent years.

No one can be sure, for another few weeks at least, about the course and strength of the crucial south-west monsoon as it moves northwards across the country.

However, the Government's Department of Science and Technology has predicted that "overall rainfall is definitely going to be on the positive side of normal."

Yesterday a meteorological department official said the monsoon had progressed steadily in the past week in the south and some parts of central India, as well as the north-east. It was expected to reach Bombay, the commercial capital, inside three days.

The Agriculture Ministry has forecast that the monsoon should produce food-grain harvests totalling 162m tonnes in the coming year compared with an expected 137m tonnes to 138m tonnes in the past year, against an initial target of 160m tonnes. In each of the previous three years of poor rainfall the total was between 145m tonnes and 152m tonnes.

The latest estimate for the past year is broadly in line with forecasts which were being made by the Ministries of Agriculture and Food in January, when it was clear there had been good rains for the second annual grain crop, called the rabi.

The total includes an expected 47m tonnes of wheat, although held back by farmers who are hoping for higher prices, says the Ministry of Food.

In spite of the recovery of the grain total, the country's buffer stocks are significantly depleted. The key date in the annual cycle is July 1. On that date in 1985 and 1986 there were stocks of about 29m tonnes and last year 27.1m tonnes. The figure on this July 1 is expected to be about 14m tonnes, excluding imports of 3.5m tonnes two months ago.

If imports of 3.5m tonnes to 4m tonnes are added, the country's total cover rises to 17m tonnes to 18m tonnes, compared with the 21.5m tonnes which the Government regards as ideal.

The Government, in keeping the total below 21.5m tonnes, is gambling on a good monsoon, which would enable the stocks to be rebuilt next year without any further spending of scarce foreign exchange on imports. If the monsoon is poor, however, heavy imports could be needed.

UK set-aside plans delayed

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

THE British Government's plans to publish details of a scheme to remove land from agricultural production have been delayed.

Mr John MacGregor, Minister of Agriculture, had hoped to announce the so-called set-aside plans, part of a European Community-wide scheme, this week.

However, a last-minute hitch in Brussels and an apparent difficulty in finding parliamentary time for him to make the announcement meant the scheme may not be made public before the month's end.

He failed to obtain the immediate clearance for the British scheme which he had sought from the European Commission. Ministry of Agriculture officials said in London. The problems, apparently centred on the rate of compensation to be paid, were said not to be serious.

All member-states, following agreement at the EC summit last February, must produce set-aside plans by July 14, although farmers will be free to choose whether they participate.

Schemes will offer compensation of £70 to £200 a hectare provided farmers idle at least 20 per cent of arable land for a three-to-five-year period.

John Elliott looks at crop prospects following last year's damaging drought

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WORLD COMMODITIES PRICES

LONDON MARKETS

Table of LONDON MARKETS prices for various commodities like Aluminium, Copper, Tin, Lead, Zinc, etc.

COCOA 1/tonne

Table of COCOA 1/tonne prices for various grades and origins.

COFFEE 1/tonne

Table of COFFEE 1/tonne prices for various grades and origins.

REBAR 1/tonne

Table of REBAR 1/tonne prices for various grades and origins.

GAS OIL 1/tonne

Table of GAS OIL 1/tonne prices for various grades and origins.

LONDON METAL EXCHANGE

Table of LONDON METAL EXCHANGE prices for various metals like Aluminium, Copper, Tin, Lead, Zinc, etc.

US MARKETS

Table of US MARKETS prices for various commodities like Wheat, Corn, Soybeans, etc.

CRUDE OIL (Light) 42,000 US gallons

Table of CRUDE OIL (Light) 42,000 US gallons prices.

HEATING OIL 42,000 US gallons

Table of HEATING OIL 42,000 US gallons prices.

COCOA 1/tonne

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COFFEE 1/tonne

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REBAR 1/tonne

Table of REBAR 1/tonne prices for various grades and origins.

GAS OIL 1/tonne

Table of GAS OIL 1/tonne prices for various grades and origins.

Chicago

Table of Chicago market prices for various commodities like Soybeans, Corn, Wheat, etc.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar trades in narrow range

THE DOLLAR showed little reaction to revisions in US trade figures for 1987 and 1988 released yesterday. Attention remained focused on trade figures for April, due for release next Tuesday.

Most traders were resigned to a period of inactivity until then. There is no point in taking a view either way until the figures are known, one dealer volunteered. Trading volume was noticeably below the average.

Earlier in the day, the US unit had been underpinned by comments made by Alan Greenspan, chairman of the US Federal Reserve Board, claiming that a further decline in the dollar would be harmful for the US trade performance.

The dollar closed at DM1.7105, up from DM1.7105 but eased slightly against the yen to ¥125.30 from ¥125.30. It finished at SF1.4230 and SF1.4230 compared with SF1.4230.

The pound's exchange rate index finished unchanged from Wednesday's close at 78.7, having opened at 78.8. Against the dollar, sterling finished at \$1.6150 from \$1.6180 on Tuesday, and DM3.1200 compared with DM3.1200 on Tuesday.

However traders saw the extent of the dollar's rise as being limited ahead of the trade announcement. Recent comments by Mr Karl Otto Poehl, President of the West German Bundesbank, stressed that the authorities had little wish to see a weaker D-Mark, and this also tended to inhibit the extent of any dollar rise.

The Bank of France left its money market intervention rates unchanged but this had little effect on the franc. There was very little reaction to news that Japan's May trade surplus fell to an unadjusted \$5.05bn from \$5.42bn a year earlier.

The adjusted surplus was \$5.02bn against \$5.27bn in April. The surplus with the US contracted to \$2.3bn in May - on an unadjusted basis - from \$4.5bn a year ago.

FINANCIAL FUTURES

Slight firming in quiet trade

A QUIET day on London's financial market was illustrated by the lack of turnover in long gilt futures on Liffe. Market volume was very modest at around 14,000 contracts, with dealers waiting for next week's US trade figures to provide some inspiration.

September long term gilt futures opened unchanged at 90.68, and closed just below the day's peak at 90.21. Three-month sterling deposit futures also opened unchanged at 90.67 for September delivery, and touched 90.76, before closing at 90.74.

The pound's steady tone on the foreign exchanges provided sterling interest rate contracts with support, but there were no other factors.

A figure around \$12bn for the April US trade deficit is likely to prove neutral as far as the markets are concerned, but a deficit above \$12bn will probably send the dollar lower.

On the other hand a US trade shortfall of less than \$11bn will increase the attraction of the dollar, probably at the expense of sterling.

The US Commerce Department issued seasonally adjusted back figures on trade yesterday, in preparation for the start of seasonal adjustment to the trade figures from April.

After Tuesday's US trade news, there will be several UK figures to be taken into account on Thursday and Friday, followed by bank lending figures on Monday the 20th, and the UK trade figures the following Monday.

Table with columns for currency, rate, and change. Includes Sterling Index, Dollar Spot, and other rates.

Table titled 'DOLLAR SPOT - FORWARD AGAINST THE DOLLAR' showing rates for various currencies and time periods.

Table titled 'FINANCIAL FUTURES' showing prices for various futures contracts like Liffe Long Gilt and Liffe US Treasury.

Table titled 'CURRENCY MOVEMENTS' showing percentage changes for various currencies.

Table titled 'EURO-CURRENCY INTEREST RATES' showing rates for different currencies and maturities.

Table titled 'CURRENCY FUTURES' showing prices for various currency futures.

Table titled 'OTHER CURRENCIES' showing rates for various international currencies.

Table titled 'EXCHANGE CROSS RATES' showing cross rates between major currencies.

Table titled 'MONEY RATES' showing rates for various money market instruments.

Very little change. There was little change to interest rates on the London money market yesterday. Sterling appears to have entered a steady phase, and was holding relatively firm at around DM3.12 and \$1.6150 yesterday, without showing any sign of another sudden upward surge.

Help of £100m was provided, when the authorities bought £100m bank bills in band 4 at 8% p.c. before lunch. There was no further intervention in the afternoon.

FT LONDON INTERBANK FIXING. 6 month US Dollar. 12 month US Dollar. Money Rates. Treasury Bills and Bonds.

EUROPEAN OPTIONS EXCHANGE

Large table of European options exchange data with columns for Series, Vol, Last, and Stock.

BASE LENDING RATES

Table of base lending rates for various banks and currencies.

Advertisement for Societe Generale, 'THE LARGEST PRIVATISED FRENCH BANKING GROUP IS PLEASED TO REPORT ON 1987 OPERATIONS AND RESULTS.' Includes a bar chart showing net consolidated income from 1985 to 1987.

Continuation of Societe Generale advertisement, detailing 'OUTSTANDING FEATURES OF 1987 OPERATIONS' and '1987 GROUP INCOME'. Includes a table of income components and a list of shareholders' equity and subordinated loan stocks.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Albion Unit Trusts, Allied Dunbar Unit Trusts, and others, with columns for name, type, and value.

Table listing unit trusts including Brown Shipley & Co Ltd, CIBC Unit Trust Managers, and others, with columns for name, type, and value.

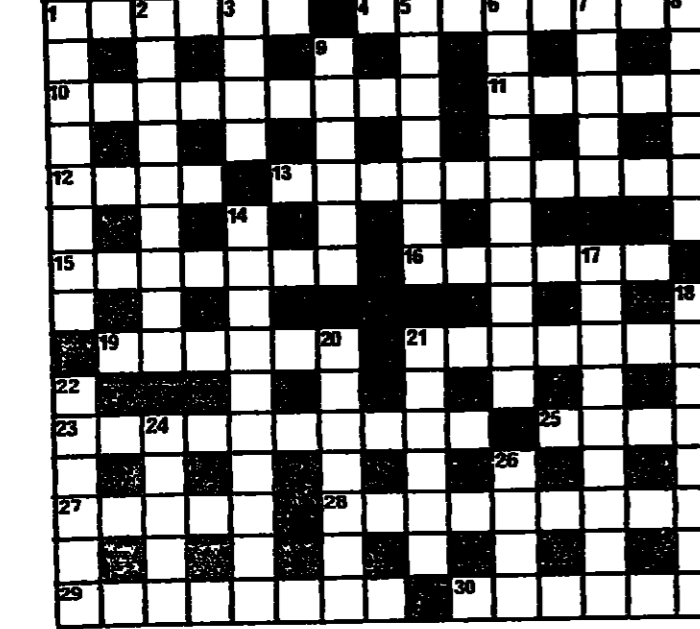
Table listing unit trusts including Cushman Trust Managers, Gannett Royal Life Unit Trusts, and others, with columns for name, type, and value.

Table listing unit trusts including Gannett Royal Life Unit Trusts, Gannett Royal Life Unit Trusts, and others, with columns for name, type, and value.

IG INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699 Reuters code: IGIN, IGI0

JOTTER PAD: A grid for writing notes, with columns for date and time.

FT CROSSWORD No.6,652 SET BY CINEPHILE



Crossword clues: ACROSS 1 Discussion meetings turn into classes (6), 4 OC is poorly at home: note - be quiet to start with (8), etc.

Table listing unit trusts including Allied Dunbar Unit Trusts, CIBC Unit Trust Managers, and others, with columns for name, type, and value.

Table listing unit trusts including Cushman Trust Managers, Gannett Royal Life Unit Trusts, and others, with columns for name, type, and value.

Table listing unit trusts including Gannett Royal Life Unit Trusts, Gannett Royal Life Unit Trusts, and others, with columns for name, type, and value.

Handwritten signature: J. B. LISA

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Investment Objective, and other details.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table of OTHER OFFSHORE FUNDS, listing various offshore investment funds with columns for Name, Investment Objective, and other details.

Table of Money Market Trust Funds and Money Market Bank Accounts, listing various financial products with columns for Name, Investment Objective, and other details.

Additional text at the bottom of the page, including a small table titled 'UNIT TRUST NOTES' and other financial information.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, and other financial metrics.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for Stock, Price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for Stock, Price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for Stock, Price, and other financial metrics.

BUILDING, TIMBER, ROADS Contd

Continuation of Building, Timber, and Roads companies table.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for Stock, Price, and other financial metrics.

BUILDING, TIMBER, ROADS

Continuation of Building, Timber, and Roads companies table.

DRAPERY AND STORES - Contd

Continuation of Drapery and Stores companies table.

ELECTRICALS

Table listing electrical companies with columns for Stock, Price, and other financial metrics.

Continuation of Electricals companies table.

Continuation of Drapery and Stores companies table.

ENGINEERING

Table listing engineering companies with columns for Stock, Price, and other financial metrics.

ENGINEERING - Contd

Continuation of Engineering companies table.

ENGINEERING - Contd

Continuation of Engineering companies table.

FOOD, GROCERIES, ETC

Table listing food, groceries, and other companies with columns for Stock, Price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotels and caterers companies with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Misc.)

Table listing various industrial companies with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

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Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INDUSTRIALS (Misc.) - Contd

Continuation of Industrial (Misc.) companies table.

INSURANCES

Table listing insurance companies with columns for Stock, Price, and other financial metrics.

LEISURE

Table listing leisure companies with columns for Stock, Price, and other financial metrics.

Handwritten text at the bottom of the page.

LONDON SHARE SERVICE

LEISURE - Contd

Table listing leisure companies such as British Skyways, British Airways, and others with their respective share prices and market data.

PAPER, PRINTING, ADVERTISING - Contd

Table listing paper, printing, and advertising companies like News International and others.

PROPERTY

Table listing property-related companies and their share prices.

TEXTILES - Contd

Table listing textile companies and their market data.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

OIL AND GAS - Contd

Table listing oil and gas companies.

OVERSEAS TRADERS

Table listing overseas traders.

PLANTATIONS

Table listing plantation companies.

MINES - Contd

Table listing mining companies.

MISCELLANEOUS

Table listing miscellaneous companies.

THIRD MARKET

Table listing third market trading data.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies.

Commercial Vehicles

Table listing commercial vehicle companies.

Components

Table listing component companies.

Garages and Distributors

Table listing garage and distributor companies.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher companies.

SHIPPING

Table listing shipping companies.

SHOES AND LEATHER

Table listing shoes and leather companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

OIL AND GAS

Table listing oil and gas companies.

Teas

Table listing tea companies.

MINES

Table listing mining companies.

Central Rand

Table listing Central Rand companies.

Eastern Rand

Table listing Eastern Rand companies.

Far West Rand

Table listing Far West Rand companies.

Diamonds and Platinum

Table listing diamond and platinum companies.

Central African

Table listing Central African companies.

Finance

Table listing finance companies.

Australians

Table listing Australian companies.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options.

Stock Exchange classification is indicated to the right of company names. In this table, a 'P' indicates that the company is in possession of a public float. A 'D' indicates that the company is in possession of a public float. A 'C' indicates that the company is in possession of a public float. A 'B' indicates that the company is in possession of a public float. A 'G' indicates that the company is in possession of a public float. A 'F' indicates that the company is in possession of a public float. A 'M' indicates that the company is in possession of a public float. A 'N' indicates that the company is in possession of a public float. A 'S' indicates that the company is in possession of a public float. A 'T' indicates that the company is in possession of a public float. A 'U' indicates that the company is in possession of a public float. A 'V' indicates that the company is in possession of a public float. A 'W' indicates that the company is in possession of a public float. A 'X' indicates that the company is in possession of a public float. A 'Y' indicates that the company is in possession of a public float. A 'Z' indicates that the company is in possession of a public float.

LONDON STOCK EXCHANGE

Equities close firmly featured by speculation in food and insurance stocks

Account Dealing Dates table with columns for First Declared, Last Account, Dealings From, Dealings To, etc.

A SLOW trading session in the UK equity market ended with a burst of strength as the advances in US and Continental markets sparked off a revival of speculative activity in London.

The FT-SE 100 Index put on 18.3 to 1841.5, showing strength in the final hour of trading when both the food and the composite insurance sectors were ablaze with speculative activity.

The excitement started when Rowntree shares moved up sharply on market rumours that Nestlé and Jacobs Suchard had struck a deal over their battle for control of the UK chocolate manufacturer.

There was also a speculative rush into composite insurance shares, where bid rumours have circulated recently. The strongest feature was Sun Alliance.

session when the US Commerce department released revised '87 and '88 trade figures, showing the seasonal adjustments which will also be incorporated in next week's trade figures for April.

However, the revised trade deficit of \$170.83bn for last year was "no surprise", said Mr John Whitehead, economic analyst at Robert Fleming, the UK securities house.

After a quiet start, Rowntree once again became the centre of the market's attention as the rumour circulated that Suchard had agreed a deal to sell its stake in the chocolate manufacturer to Nestlé.

Shares in Cadbury-Schweppes rose strongly in sympathy, putting on 8 to 414p. Mid-day turnover of 1.9m shares jumped to 7.5m at the close in active trading.

Dealers were unsure where the

FINANCIAL TIMES STOCK INDICES table showing Government Securities, Fixed Interest, Gold Mines, Div. Yield, etc. with columns for June 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1988, and Stock Completion.

LONDON REPORT AND LATEST SHARE INDEX: TEL 0898 123001

buying was coming from and none of the names mentioned as possible bidders - among them Hanson, Hillside Holdings and Grand Metropolitan - were given much credibility.

Past favourites to bid for Unigate, French company BSN, was widely touted, but one analyst was dismissive, saying that although BSN is big enough to launch a bid, the idea "smacks of desperation".

Composite insurance stocks closed strongly, with several London securities houses chasing the stock. Traders rejected suggestions that confidence in the industry was behind the buying, and pointed to recent rumours that a major bid move in the sector is impending.

There was some speculative activity among life companies. Abbey Life regained 11 to 32 1/2p as buyers continued to look for an

in discount houses, Cater Allen Holdings advanced by 17 to 390p following Wednesday's premature release of the trading figures. The securities houses, active this week on renewed bid speculation, were busy again at the close, Morgan Grenfell gaining 10 to 35p and Warburg 4 to 35p.

Becham weighed in with pre-tax profits for the year of \$406.5m which proved to be well in line with market expectations. Nevertheless, a good business developed in the shares (some 5.7m changed hands) with the price closing 8 down at 47p after the recent strong run.

In the wake of the figures, Fleming's analysts regard the shares as a dull hold for the moment, but sensitive to developments in Eminase, the group's heart drug.

Boots' preliminary figures (except property and exceptional items) which came out at £25.7m were in line with the majority of market estimates and as expected caused little excitement.

forces with Mr Rupert Murdoch's Sky TV which has secured space for four channels on the Astra medium-powered satellite.

The Amstrad share price advanced 11 more to 209p with volume remaining at a high level. Some 9.9m shares changed hands.

British & Commonwealth continued its recent rise in busy turnover of 3.6m shares. One trader commented that "speculation is rife", and there was activity in the options market as well as in ordinary shares. One trade of 600,000 shares was reported at 27p and the shares closed at 27 1/2p, a rise of 11 on the day.

Analysts warned that profit-taking could set in unless there is an announcement today.

recently announced offer from Emess. Baccal met with US buying interest and eventually settled a five pence offer at 316p in a volume of 2.9m shares.

There was a reasonable turnover in British Telecom (4.5m) which produced preliminary figures in line with market expectations. The share price closed a few pence firmer at 242p. Cable and Wireless were briskly traded at 369p, up 6, while reports of a favourable circular left STC 8 to the good at 389p.

BP followed the trend of other international blue chips, opening higher but then settling back towards overnight quotations when the buyers refused to enter the market. There was a cautious response to a statement from the UK Department of Trade and Industry that the Kuwait Investment Office (KIO) will not increase its BP stake beyond the present 22 per cent pending the report from the Monopolies and Mergers Commission, due now within three months.

The DTI statement followed nervousness over the KIO stake in the market earlier this week, when some analysts warned that, if pressure was put on the KIO by the Monopolies Commission, it might sell its entire BP stake. BP ended unchanged, the new shares at 70p and the old at 267p.

The rest of the sector, lacking any positive news from the Opec meeting moved narrowly. The dollar helped Shell up to 1070p but by the close, the shares were back to 1069p, a net 3 higher.

Among the more speculative issues, Enterprise, down 3 at 455p and LASMO, down 3 also at 455p after 460p, continued to look for merger plans.

higher after Wall Street's strong performance and closed 12 better at 475p. Dalgety bucked the trend after Tuesday's strong rise, closing 6 down at 339p. Dealers said there were buyers of the stock, but only 1.3m shares changed hands as bid rumours retreated.

BAA's annual results were well received with the shares edging higher in a good volume of trade (8.3m) to close 3 higher at 289p. Pilkington, thought to have been oversold recently, was a particularly good market 213p, up 9, with trade expanding to around 4.6m.

Fisons met with a speculative flurry and put 8 to 268p. Buying was aroused by hopes of favourable news on the group's Pentamidine drug from the AIDS conference to be held in Stockholm next week.

Slidaw responded to bumper interim figures with a rise of 7 to 152p, while Coloplast, still reflecting the better-than-expected annual results, advanced 6 further to 197p.

Camford Engineering produced figures in line with expectations and the shares eased initially before closing at 204p, up 5. Lucas continued Wednesday's progress and gained 11 more to 539p.

The highlight in the papers sector was News International, which announced the satellite television deal with Amstrad. Jefferson Smurfit rose 9 to 445p as dealers reported Irish buying following Wall Street's overnight strength. Reed International was up and down as sellers appeared each time the shares threatened to rally and the shares finally closed 2 better at 409p.

Walter Ramecman, the specialist in LPG carriers, closed 3 down

at 356p despite an earlier rally to 349p. This followed yesterday's hostile bid from the diversified engineering company, Talbot Holdings.

The big three stocks in the Overseas Traders sector all lost ground. Lonrho never really showed after a disappointing set of interim profits before tax of \$20.4m, up only \$4.3m on the year, failed to excite the market and the shares dropped 4 to 289p. The property sector was relatively quiet after the excitement of Tuesday's British Land and Great Metropolitan results. What interest there was focused on Regalair, up 4 to 184p on the back of yesterday's threefold jump in profits.

Turnover in Traded Options picked up handsomely, with the overall total up to 34,966 contracts, made up of 24,761 calls and 10,205 puts. Two to stand out were ADT, the former Haworth group, the hospital and cleaning services company, with 2,801 calls and 121 puts, and Hanson, which recorded 1,832 calls and 1,380 puts.

Traditional Options

- First dealings May 31
Last dealings June 10
Last declarations Sept 1
For Settlement Sept 15
For rate indications see end of London Share Service

Dealers reported an active session in the Traditional Options market. Stocks favoured for the call included Singer and Friedlander, Land Securities, FRB, Rutland Trust, Bass, Johnson and Firth Brown, Cadbury Schweppes, North Kalgravi, Tracom, Telematrix, Trafalgar House, Reed International, Courtauld, Coloplast and Stacks. Puts were arranged in Cadbury Schweppes, Telematrix, and Stacks. While Scottish Ice Bank were dealt in for the double.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAG system yesterday until 5 pm.

Table with columns for Stock, Volume, and Value. Lists various stocks like ASDA Group, Anglo Irish, Anglo Saxon, etc.

RISES AND FALLS YESTERDAY

Table showing rises and falls in various sectors like British Funds, Corporate, Dominion and Foreign Bonds, etc.

LONDON RECENT ISSUES

EQUITIES

Table listing recent equity issues with columns for Issue Price, Issue Size, Issue Date, etc.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Issue Price, Issue Size, Issue Date, etc.

RIGHTS OFFERS

Table listing rights offers with columns for Issue Price, Issue Size, Issue Date, etc.

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of Actuarial Indices including EQUITY GROUPS & SUB-SECTIONS, FT-SE 100 SHARE INDEX, and FIXED INTEREST.

LONDON TRADED OPTIONS

Table of LONDON TRADED OPTIONS with columns for Option, Calls, Puts, and various stock options.

NEW HIGHS AND LOWS FOR 1988

Table listing new highs and lows for 1988 across various sectors.

Opening Index 1815.3, 10 am 1813.4, 11 am 1817.1, Noon 1818.3, 1 pm 1819.3, 2 pm 1820.8, 3 pm 1820.3, 4 pm 1820.3

June 9 Total Contracts 34,966 Calls 24,761 Puts 10,205 FT-SE Index Cite 2332 Page 1182

WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, France, Germany, Netherlands, Sweden, and Switzerland. Columns include country, date, and various stock indices.

Table of stock market data for Japan, Australia, and other regions. Columns include country, date, and various stock indices.

CANADA

Table of stock market data for Canada, including Toronto 3pm prices and various stock indices.

OVER-THE-COUNTER

Table of over-the-counter stock market data, including Nasdaq market and 3pm prices for June 9.

CHIEF LONDON PRICE CHANGES YESTERDAY

Table showing price changes for various commodities and currencies in London.

TOKYO - Most Active Stocks

Table showing the most active stocks in Tokyo on Thursday, June 9, 1988.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others.

NEW YORK

Table of stock market data for New York, including Dow Jones and other indices.

CANADA

Table of stock market data for Canada, including Toronto 3pm prices.

NEW YORK ACTIVE STOCKS

Table of active stocks in New York, including various company names and prices.

Table of international stock market data for various countries including Australia, Belgium, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Korea, and the Netherlands.

Advertisement for Financial Times, featuring the headline 'Have your F.T. hand delivered in Norway' and contact information for the Athens office.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for High, Low, Stock, and Price. Includes a handwritten note 'Merrill Lynch' at the bottom.

NYSE Composite Prices table with columns for Stock, Div, Yld, High, Low, Close, and Change. Includes sub-sections for 12 Month High/Low and 52 Week High/Low.

AMEX Composite Prices table with columns for Stock, Div, Yld, High, Low, Close, and Change. Includes sub-sections for 12 Month High/Low and 52 Week High/Low.

OVER-THE-COUNTER Nasdaq national market, 3pm Prices June 9

Over-the-Counter table with columns for Stock, Div, Yld, High, Low, Last, and Change. Lists various OTC stocks and their prices.

Advertisement for Financial Times magazine. Text includes: 'Have your F.T. hand delivered...', '12 FREE ISSUES', and contact information for Geneva (022) 311604.

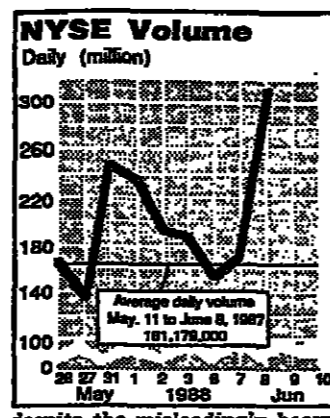
AMERICA

Dow rally falters as buyers take a breather

Wall Street

IT STOPPED raining in Iowa yesterday and Wall Street's explosive rally, which had been motivated largely by a sudden drop in corn and soybean prices, ground to a halt, Anatole Kalinsky writes from New York.

A day or two of consolidation was seen as healthy after the Dow's record-breaking advance of 146 points in just seven trading sessions. This was especially true in view of the massive technical obstacle facing the market in the shape of the post-October high of 2110.98. It would have been amazing if the market had soared past this level without taking a breather.



The bond market was virtually unshaken by a sharply adverse revision of US trade figures which was announced yesterday. The Commerce Department, publishing its first set of seasonally adjusted trade figures since December 1985, revealed that much of the apparent improvement in the US deficit this year was due to seasonal factors.

David Owen explains why June has been a buoyant month so far

Commodities pep up Toronto

BUOYANT world commodity markets have managed to pull the Toronto Stock Exchange up by its bootstraps in recent days. The heavily resource-oriented TSE-300 index has soared by more than 190 points since May 30 to 3,366.5 on Wednesday. This follows five months during which the market drifted aimlessly on generally insipid volume: the index has risen only 20.5 points, or 0.5 per cent this year.

their value at the start of the year - despite a string of positive earnings figures. The strength of the Canadian dollar - which on Wednesday closed at a five-year high against its US cousin - and its perceived impact on export earnings has done much to prompt this. Also partly responsible are projections of a weaker lumber market and potential labour disruption this summer in British Columbia.



Both gained significantly on Wednesday, when the TSE's most actively traded stock was Dome Petroleum, in anticipation of the company's annual meeting. In all, Dome rose 10 cents to C\$2.20. After the market closed, shareholders of the beleaguered Calgary company voted to accept the longstanding C\$5.5bn offer from Amoco Canada. On Monday, an Alberta judge will be asked to approve the deal.

EUROPE

Foreign investors' shopping spree takes bourses higher

TAKING their cue from Wall Street and Tokyo, European bourses bounded upwards yesterday, with increased demand from overseas buyers helping to keep a rein on profit-taking.

Speculative activity in the food sector added zest to a slow market, boosting the FT-SE 100 index by 13.3 to 1,841.5.

London: SPECULATIVE activity in the food sector added zest to a slow market, boosting the FT-SE 100 index by 13.3 to 1,841.5.

ASIA

High-wire act tests new levels

THE LONGEST-running high wire act in the world financial arena scored a new triumph yesterday as the Nikkei average bounded over 28,000 to close at an all-time high.

CANADA

Nikkei breaks down 28,000 barrier

BUYING enthusiasm gathered momentum following Wall Street's strong overnight rally, and the Nikkei average ended above 28,000 for the first time in Tokyo yesterday, writes Shigeo Nishizaki of Jiji Press.

TOKYO

Share prices recovered from earlier losses to close higher

SHARE prices recovered from earlier losses to close higher, buoyed by rising gold and base metals. The composite index, which had dropped about seven points in earlier trading, gained 11.20 to 3,378.20. Advances outnumbered declines by 383 to 365 on turnover of 2.5bn shares.

HONG KONG

Domestic fund managers returned to the market after strong overnight gain on Wall Street

DOMESTIC fund managers returned to the market after the strong overnight gain on Wall Street, helping to push share prices higher in the heaviest volume since this year.

SINGAPORE

Profit-taking reduced day's gains but equities closed higher

PROFIT-TAKING reduced the day's gains but equities closed higher, with investor confidence buoyed by the sharp gain in New York. The Straits Times Industrial index rose 2.09 to 1,042.6.

AUSTRALIA

Concern over declining international bullion prices and absence of foreign buyers helped push the All Ordinaries index down 0.9 to 1,890.4

CONCERN over declining international bullion prices and absence of foreign buyers helped push the All Ordinaries index down 0.9 to 1,890.4 after an early rally inspired by Wall Street.

SOUTH AFRICA

A WEAKER bullion price hit Johannesburg gold stocks yesterday as they fell slightly for the second day running.

MILAN

MILAN extended the previous day's gains, but ended off the session's highs as profit-taking emerged.

FT - ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, THURSDAY JUNE 9 1988, WEDNESDAY JUNE 8 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Euro, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. So. Af., World Ex. Japan, The World Index.

The Post Office SALE OF Girobank plc. The Chancellor of the Duchy of Lancaster announced in Parliament on 7th June, 1988 that the Post Office's banking subsidiary Girobank plc ("Girobank") is to be sold. Girobank has grown rapidly from its origins as a cash transmission service and is now a successful financial institution offering a range of services to both personal and corporate customers.